

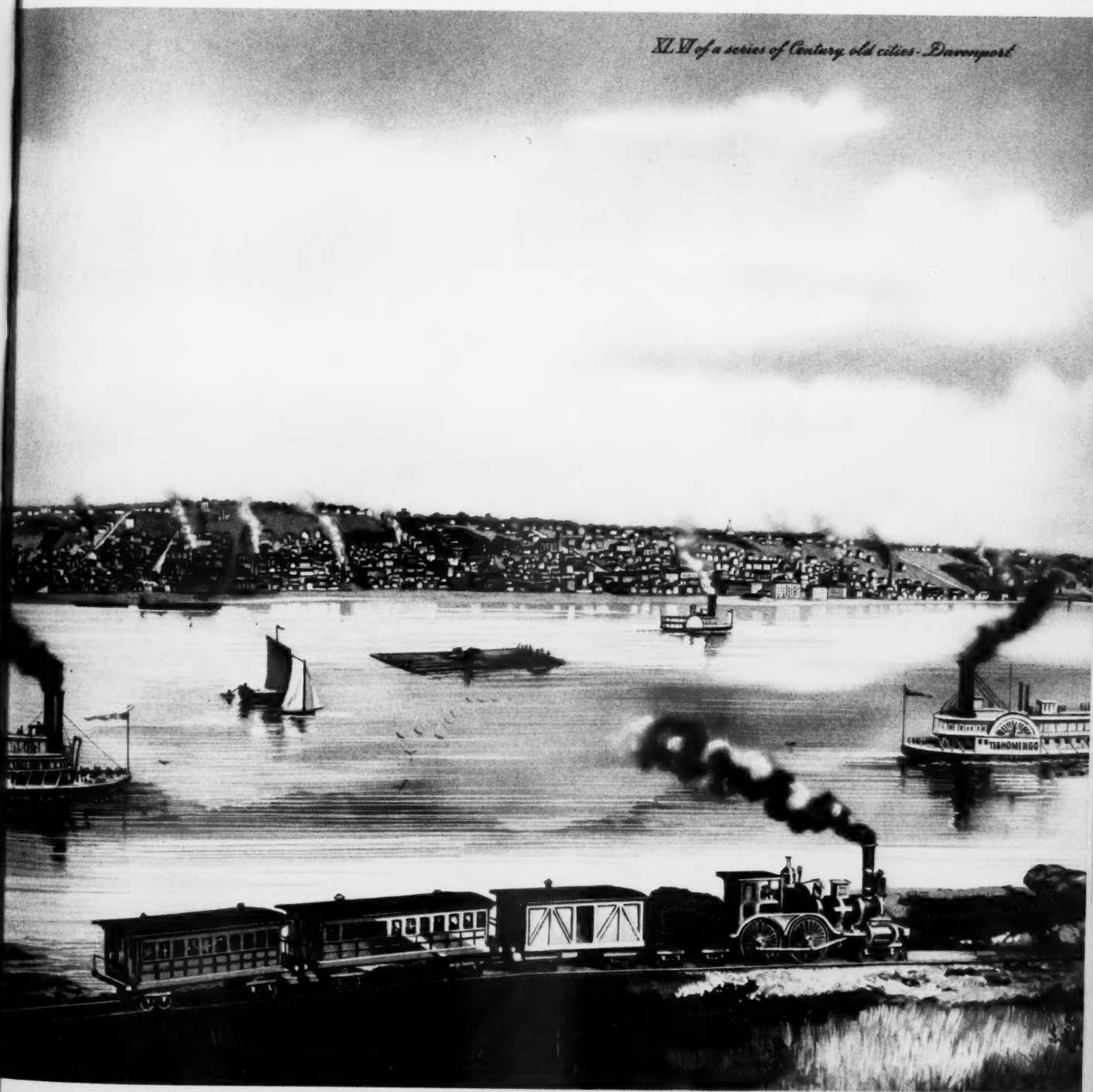
DUN'S REVIEW

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This Month's Cover

DAVENPORT

Painted by Rufus Wright and lithographed by Sarony, Major & Knapp, the view on the front cover looks north from Illinois across the Mississippi to the city of Davenport as it was 80 years ago. Here, 160 miles west of Chicago, the north-to-south running river courses westward through Rock Island Rapids to bound the southeast corner of Iowa. . . . Checking the river's flow today, for navigation and flood control, is one of many sets of dams and locks (aerial photo above) new to the Mississippi within the last decade. . . . In ancient times the river-bluff site of Davenport was the home of the mound builders. In the eighteenth century the Sacs and the Foxes, closely-related Indian tribes, came to the region, the Sacs to establish a village on the spot now occupied by Davenport, the Foxes to settle across the river at what is now Rock Island, Ill. While exploring the western wilderness in 1805, Col. Zebulon M. Pike, remembered now most often for Pike's Peak, camped on part of the Fox country. A quarter-century later, Chief Black Hawk and the Federal government fought doggedly across these lands in the bitter Black Hawk War. . . . In 1835, three years after the Indians' defeat, Davenport was founded by a company headed by George Davenport of Rock Island. In a region rich in coal and agricultural products, the city has grown to a 1940 population of 66,000. Though as a wholesaling center Davenport distributes a volume of goods valued at even more, its factories annually turn out products valued at \$35,000,000, much of it in glass, flour, electrical machinery, and heating and plumbing supplies and equipment.

DUN'S REVIEW

for

NOVEMBER, 1940



WELDER WORKING. SUN SHIPBUILDING AND DRY DOCK COMPANY—PHOTO BY CHARLES P. CUSHING



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PRICES *and* PROFITS *in a* DEFENSE ECONOMY

EDWIN B. GEORGE

Economist, DUN & BRADSTREET, INC.



Two-and-a-half years old and still confined to Europe, the first World War by early 1917 had brought to consumers in the United States high prices which so far in this second war are less real than feared. "Wanted—a pin," wrote cartoonist Starrett of the New York "Tribune" under his pen-and-ink sketch of an ominous price balloon.

*I*N THIS third of a series of articles on "Some Economic Aspects of the Defense Program" Edwin B. George examines the statutory profit limits set by Congress for Government orders and discusses the present and possible future responsibilities of the two divisions in the Defense Advisory Commission principally concerned with price problems.

The first of these three articles, "Uncle Sam Goes to Market" (DUN'S REVIEW, August), summarized the organization of Federal purchasing and procurement. Included with it were a list of field purchasing officers of the War, Navy, and Treasury Departments. The second article, "The Defense Program Remodels the Economic System" (October), considered the possible repercussions of the quick spending of many extra billions for defense.

*P*RICE problems are one of the supreme vexations of both the business man and the economist. To the one they are at least the apparent touchstone of personal success or failure. To the other they are the links by which commodities are bound to each other in an economic system that to be prosperous must be at once fluid and integrated. Each recognizes the validity of the other's point of view, but by the simple circumstance of concentration each prefers his own emphasis. The one clear point of agreement is that price behavior is a matter of critical importance to our economic system.

Prices as such are just figures. Their principal significance is in their relation to other prices and to earning power, as costs to buyers and as the medium of profits to sellers. Government can get very much exercised over all three functions, chronically on economic grounds and now, with the national defense program, as an important party at interest. It has already taken positions and will take more of them on the amount of profit that its contracting suppliers should make. It will unquestionably keep a cynical eye on the prices of many individual commodities. General price levels also play a part in a large proportion of its theories and policies, and eventually may be the main consideration.

The principal performers in the Government's present effort are Congress, the Coordinator of National Defense Purchases, the Price and Consumer Divisions of the Advisory Commission

on National Defense, and the War and Navy Procurement officers. Ranged behind them are the Government agencies professionally and permanently concerned with prices and pricing systems, such as the Department of Justice, the Federal Trade Commission, the Treasury Department, the Department of Labor, the Department of Commerce, the Federal Reserve Board, and the Executive office itself. These latter, however, merely support the leads in the act now opening.

I. PRICES TO GOVERNMENT

ONE OF our great political and psychological inheritances from the last war was a widespread conviction that it made industry rich. Industry never shared this feeling and, in fact, was often able to offer impressive demonstrations to the contrary. But at least it is true that normal business relationships went out of joint with the times and that whatever their ultimate fate, we had a bumper crop of high prices, high wages, and paper profits. Ramifications were political denunciation, Congressional investigations, laws, and strictures on the Bureau of Internal Revenue for its methods of auditing.

Reminiscent of this period of reproach was the Vinson-Trammell Act of 1934 which limited profits on the construction of naval vessels and naval aircraft to 10 per cent of contract prices. Several amendments followed, one of which on April 3, 1939, raised the limit on naval aircraft to 12 per cent and imposed a similar limitation on Army aircraft contracts. The critical attitude inspiring this measure persisted into the present crisis. Public Act 43 of April 25, 1939, authorizing certain public works projects outside the conti-

nental limits of the United States by the Navy Department, sanctioned the negotiation of cost-plus-fixed-fee contracts for their construction, but limited the fee to 10 per cent of estimated cost, exclusive of itself. A further limitation to 6 per cent on such contracts not previously entered upon was effected by Act 667 of June 26, 1940, the appropriations measure which provided for them. On June 15, 1940, an appropriations act (635) extended the scope of Act 43 to include facilities located within the United States, and limited to 6 per cent of estimated cost a fixed fee permitted on construction of new naval air bases authorized therein. Then came the Walsh-Vinson Act of June 28, 1940, (Public Act 671), with two distinct provisions: (1) an amendment to the Vinson-Trammell Act reducing the old 10 per cent and 12 per cent *profit* limitations to 8 per cent of contract price, and introducing a new *profit* limitation of 8.7 per cent of cost¹ (both to be ascer-

tained after completion of the contract and neither to apply to negotiated contracts entered into upon a cost-plus-fixed-fee basis); and (2) an entirely new enactment allowing contracting officers virtually to guarantee a *fixed fee* up to and including 7 per cent of *estimated* cost when negotiating contracts in the first instance. The distinction is important. The 8 per cent of the contract price applied no matter how the contract was let, but might not actually be cleared above costs. The amount of the fixed fee is definitely fixed and agreed to by the parties at the time the contract is negotiated, in that it could not exceed 7 per cent of the estimated cost of the contract, which was also agreed to by the parties. By way of further contrast, the profit allowed under the old cost-plus-percentage-of-cost contracts could not be ascertained

¹ A little paper and pencil work will show that on a \$100,000 job 8 per cent profit is exactly the same as a job costing \$92,000 to which is added a profit amounting to 8.7 per cent of such cost.



In November 1916 Brinkerhoff in the New York "Evening Mail" translated rising prices (after two years and four months of Europe's war) into bills bigger than pay envelopes.

in advance, but was dependent upon the amount of costs claimed and allowed upon completion of the contract.

But the old cost-plus-percentage-of-cost made famous in post-war squabbles was prohibited by the Walsh-Vinson Act and has obviously been demoted to the status of a fixed fee. As a matter of fact, while the Walsh-Vinson profit allowance in the amount of 8.7 per cent of cost looks equivalent to the original 8 per cent of contract price, there is a possible difference in favor of the Government in case costs do not run as high as expected, namely:

Contract price	\$100,000
8 per cent limit	8,000
Actual cost	80,000
8.7 per cent	6,960

Obviously, however, in case of any such disparity, contractors could be expected to crowd every plausible item into their reported costs, with book-keeping squabbles between them and Government auditors as a likely result.

Army suppliers were disposed of with more dispatch. The Act of April 3, 1939, had already put a 12 per cent profit limit on Army aircraft contracts. The Sheppard-May Act of July 2, 1940 (Public Act 703), forbade the old cost-plus-percentage arrangement and authorized negotiated contracts and cost-plus-fixed-fees. The Walsh-Vinson Act, passed a few days before (June 28) and dealing largely with work done for the Navy, digressed long enough to extend its 7 per cent fixed fee limitation to War Department contracts as well.

The new excess profits tax law, however, has made obsolete much of even this moderately fresh arithmetic. Its main effect in this limited area is to undo the previously enacted *profit* limitations by suspending them in favor of the recovery-by-taxation formula, without touching the *fixed fee* limitations save to the extent that contractors' profits therefrom reach taxable size through natural growth as in the case of any other corporation. *Fixed fees* on individual contracts, therefore, appear to remain the 10 per cent maximum sanctioned in Public Act 43 of

April 25, 1939 (public works), the 6 per cent in Public Act 635 of June 15, 1940 (naval air bases), and the 7 per cent in Public Act 671 (naval vessels and Army and Navy aircraft). The negotiation authority wherewith to implement these special arrangements will necessarily remain with them. But the man with the fixed fee does not, because of his special method of compensation, escape the hazards of niggardly cost allowances and of resulting possible impairments of the return he is supposed to receive. Although the Treasury Department does not negotiate fixed-fee contracts, nor calculate costs, the ordeal is to be endured nevertheless.

Under the fee system these costs really have to be determined thrice, once by the various purchasing authorities in estimating costs at the time of negotiation, again in determining final payments after completion of the work, and finally, of course, by the Treasury Department when it calls for its share of the take. Wherever the Government as buyer refuses to allow certain costs which the contractor feels that he has expended on the contract, he will have to meet the deficit from his fixed fee.

Under the Vinson-Trammell Act the Bureau of Internal Revenue did not allow interest as a deductible cost. This ruling was later



amended to permit interest charges on moneys borrowed for the express purpose of executing military contracts. There is also usually room for differences of opinion in individual cases on the extent to which such items as selling and administrative expense, losses on discarded equipment, and experimental

and developmental expenses are to be regarded as allowable costs under the contract. Among those specifically disallowed (T.D. 4906 for Navy vessels and aircraft, T.D. 4909 for Army aircraft) have been advertising, bad debts, strike expense, and a number of selling expenses not directly related to the contract but indispensable to continuing business organization.

Adages give so much trouble. The man who wrote "sauce for the goose is sauce for the gander" was probably too pure a philosopher to get and execute a Government contract. It is interesting, although positively not conclusive, to note that some of the manufacturers presently to be reproached for profiteering are making no plans to spend the money.

The new arithmetic of some of the more cynical among them is to look upon a 7 per cent fee as 5 per cent realized payment over actual costs, and 10 per cent as 7 per cent, etc., quite apart from the further ravishings of the tax collector. But this is no time



Only a split cartoon could accommodate the imagination of Richards in the Philadelphia "North American" as he contemplated soaring 1916 prices. The title he fixed below it, "As Sherman Said," could only mean that for one more reason "War is hell."

for judgment on so inscrutable a subject.

Of incidental interest, the contractor's luck in regard to taxation depends in part of course on his turnover and his profits history. If he makes his 6 per cent or 7 per cent or 10 per cent often enough in the course of the year, and comes out with net earnings better than both 8 per cent of invested capital and his 1936-1939 record in dollars, he can slide into the jaws of the new omnibus levy as easily as anyone else and be ground as neatly between its excess profits and normal income mandibles.

And here Congress rests, at least temporarily, save for its action on the quite different problem of new plant amortization. No general price control law is yet in sight.

And apropos of taxes, the recollection intrudes that many of the manufacturers working for the United States on a fee basis have also been taking substantial amounts of foreign business without any such restriction. The profits on these orders will be of great practical help in making such producers eligible for the new taxes. Furthermore, the current expectation seems to be for their continuance. The war goes on, and Britain's five billion dollars or more of reserves in the form of gold securities and fixed investments does not seem to have been grievously impaired by the inroads made on them to date. Purchases have been heavy but there have been compensating exports even though in diminished flow, and newly mined gold at the present pleasant prices has proved to be a very good specific for trade deficits. It has to be through income and

excess profit taxes rather than limitations on profit margins, that the Government taps this source of income as well as that from unrestricted domestic contracts.

II. PRICES TO CONSUMERS

AT FIRST blush, the duty of the Commission's official watch dogs over prices is to go about peering and pouncing. As matters stand, either the blush or the dogs are in error, as those in charge regard "price policing" as a necessary but not the biggest fraction of their responsibility.

Such quick generalization on this subject is a bit bold for the reason that there are at least three offices interested in prices, all for different reasons, and

all presumably preferring to do their own policy making rather than leave it to the author. And yet all three could probably subscribe to the opening text without any great harm to their prerogatives.

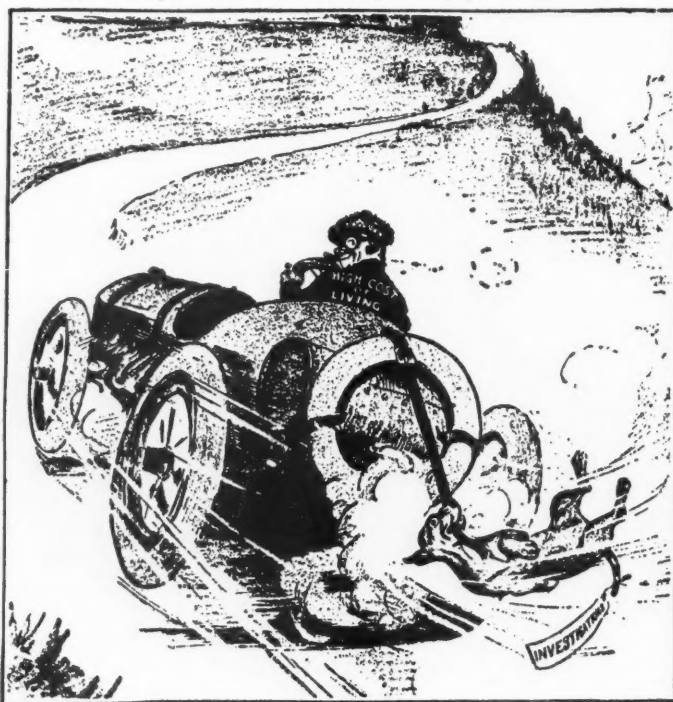
The Coordinator of National Defense Purchases has the responsibility of getting the Government's money's worth without slowing up Army and Navy procurement. In doing so, he happens voluntarily to accept another obligation not to let mere thrift warp the economic and social timbers of the American boat any more than can be helped. In any event, he concentrates chiefly on what he buys.

The Consumer Division under Dr. Harriet Elliot has first of all to find a sensible line of demarcation between its duties and those of the Price Division under Mr. Leon Henderson. Originally there were to have been separate "Consumer" and "Health and Welfare" units, with the intention of drafting Dr. Elliott to head the latter. But of related interest there was to

have been originally a single "Raw Materials and Production" division. Separate recognition of these two tremendous functions under the latter heading was finally accorded because it was felt that to the extent they had been allowed to overlap in 1917 the results had not been entirely satisfactory.

So in keeping with the grand plan of holding the player limit on the Defense Advisory Commission to seven, the "Consumer" and "Health and Welfare" units were combined instead. The rearrangement created no real disorder because (1) as to the Price Stabilization Division and the

Cynicism was in the title of Marcus' cartoon in the New York "Times," December 1916. Boasted the "Investigations" pup: "I've got him!"



Consumer Division there is a valid distinction between price economics and cost-of-living problems that is hazy only at the point of division, and (2) the public's health and welfare are obviously and intimately related to the prices of the things which people have to buy.

The line between the duties of the Price Stabilization and Consumer Divisions is being moved to suit contingencies. Both divisions are necessarily concerned with the effect on prices of a Gargantuan new demand in many commodity markets. Both divisions deal with wholesale prices, but for the most part not the same ones, or if the same ones not in the same phase. The Price Division will preferably watch basic commodities, but only with academic interest the wholesale prices of consumers' goods. The Consumer Division properly picks up a basic commodity at the point at which it discontinues being basic, as, after cotton becomes sheeting or steel becomes pins. The actual dividing line will undoubtedly vary by types of commodities.

New Standards

The Consumer Division does not want defense inroads on supply to push prices up any further than can be helped. But even so attractive a phrase as "any further than can be justified" is rejected. When an entire economy is pressed into a new shape, in this case that of an armed camp 3,000 miles long by 2,000 miles wide, standards of price "justification," among others, disappear and new ones have to be invented.

The simplest way of describing the baffling objective is to call it one of minimizing price changes resulting from an increased demand. Heavy Government spending creates income at the very moment that it is taking productive capacity out of the market. An immediate objective at which Consumer Division aims, within the somewhat narrow limits of its powers, is to keep prices in line with costs, rather

than letting them soar into the monopoly stratosphere. Developments of the latter type are an open invitation to Government to take over, which nobody wants. The Division therefore regards its efforts to hold profits down as a major bulwark to the profits system. Naturally the paradoxical concept of a minor bureaucracy warding off a major one depends for its legitimacy on how little David goes about his job. But the breadth of the conception holds attention. And even in terms of its title rôle, the Division does not regard its job as one of "protecting" consumers from the defense program, but rather of building civilian interests as an integral part of the total effort.

It is interesting and arresting to note that, so far, there have been few price rises deserving the approved epithets "abnormal" and "outrageous." Whether this is because the defense program has not yet taken any real bites or because business critics have chronically misjudged business behavior, is still not clear. We do know that economics is only part logic and a considerable part psychology, and that once consumer apprehension gets under any particular set of prices it has great lifting power. It is in the hope of breaking up explosive combinations of circumstances before they can react that the Consumer Division is laying its plans.

The Division has found simple and reasonably accurate means of identifying danger spots. It has virtually posted a day and night guard on items that appear simultaneously in the Cost



Little as six cents a loaf seems now, midway through the last war its shadow prompted Starrett in the New York "Tribune" to think "Heavy, heavy hangs o'er thy head."

of Living Index of the Bureau of Labor Statistics, the Army Quartermaster's buying lists, and current trade gossip if confirmed by investigation. Any such coincidence would obviously ring bells. If for example there should be pronounced price rises in woolen goods, men's overalls, shoes and leather goods (which with food are among the most important elements in the consumer's budget) repercussion sometime and somewhere would seem certain to follow.

Fall Pricing

One element in this prospect that begs particular attention is the relation of our present spot in the war cycle to the seasonal cycles of business. In the case of a good many of the critical lines there is a job to be done before next January, when pricing for next Fall begins.

The somewhat daring aim is to minimize price rises due to scarcity—daring because scarcity is one of the sacred economic words denoting a situation in which prices ought to rise. Experience would add that if there



Devilish Wall Street, scared stiff of "The Horrors of Peace," was McCutcheon's (Chicago "Tribune") 1916 concept, which some observers—ignoring profit limitations on government contracts and excess profits taxes on all business—are now advancing again.

is a vigorous demand they usually do. It also suggests that the forces at large in this area are rather huge for a new and small unit to challenge. Be that as it may, there are two key words in such a program; timing and method. In relation to time, attacks may be launched after an upward trend is in motion, or precautions taken in advance. Such precautions may be psychological, as through the sterilization of price impulses before they incubate; or they may be physical, as through the immediate enlargement of capacity in potential bottle-neck situations.

In relation to method, either co-operation or compulsion might be brought to bear on questionable price movements. As a practical matter, the alternative of compulsion is not yet actually available to the Consumer Division except through reliance on

the ordinary powers and bureaus of Government, which hardly have enough flexibility for an emergency program. Also as a practical matter, this deficiency does not distress the Division—at least not yet. The time may obviously come, if national productive capacity is sufficiently strained, when the faults and eruptions of our always unstable price formations will call for controls beyond those that the utmost goodwill in business can supply. We will then have reached the point of requiring new laws, with purposes comparable to those of the unconstitutional Lever Act of 1917, but few responsible officials want them now or are completely convinced of their ultimate necessity.

There is no ready-made formula for problems of this kind. Our familiarity with the normal workings of sup-

ply and demand theory has nothing to suggest save repugnance toward leaving ourselves in its hands in so artificial a period. Drift is the traditional policy in many such situations, and if it is the one followed in this emergency there is no good reason for every one of us not to start safeguarding ourselves against spiraling prices by indiscriminate buying, which will make the original plight progressively worse. Some of this will happen anyway. Of a certainty, one part of the Division's program will have to be to wait until particular prices are out of line and then go after them. Viewed as a whole, most of the thousands of consumer items to which the public has become accustomed will be impossible to patrol in the precautionary sense, and the Division will have no recourse but to deal with difficulties affecting them as they arise, and to the extent that its limited resources in personnel and influence permit.

Under the present program of control through co-operation, responsibility must be explicitly accepted by the appropriate producers and distributors for participation in a clear and feasible effort at least to keep prices in line with costs. This is not much of a hardship. In comparison with the plight of brother merchants in the belligerent countries, it is closer to a mark of grace. In France before the debacle there could be no increase in francs of gross profit—francs, not percentages—regardless of increased operating costs. Over stretches of time no price increases of any character were permitted. There was a similar rule governing margins in the early stages of English control, and it may still be restored. In Germany these things are done more simply. The merchants there have five years of practice with maximum prices under their belts, which under our system would mean perfect stability up to the point of bankruptcy. And there appears to be no heart-rending pleas from our business men for the companion measures

by which general bankruptcy is staved off under the Swastika. Incidentally, bootlegging at higher prices is reputed to be one of them.

The co-operative method of coping with the American version of price inflation is both the only one practically available, and it is preferable. Lines of communications have been stretched to organized producers and merchants; the traffic, genuinely two-way, is already heavy. A series of consultations by the staff of the Consumer Division have been high-lighted by two formal conferences, one with general civilian groups and the other with retail associations. A third is to be held with wholesale distributors on November 12. The first was attended by the presidents of 150 civic organizations,

ranging in interests from the Kiwanis Club to the DAR. It was hoped thereby to lay at least experimental foundations for a national price intelligence service. The second brought about an entente cordiale through which practical and very real problems of costs and price measurements would have a better chance of being worked out.

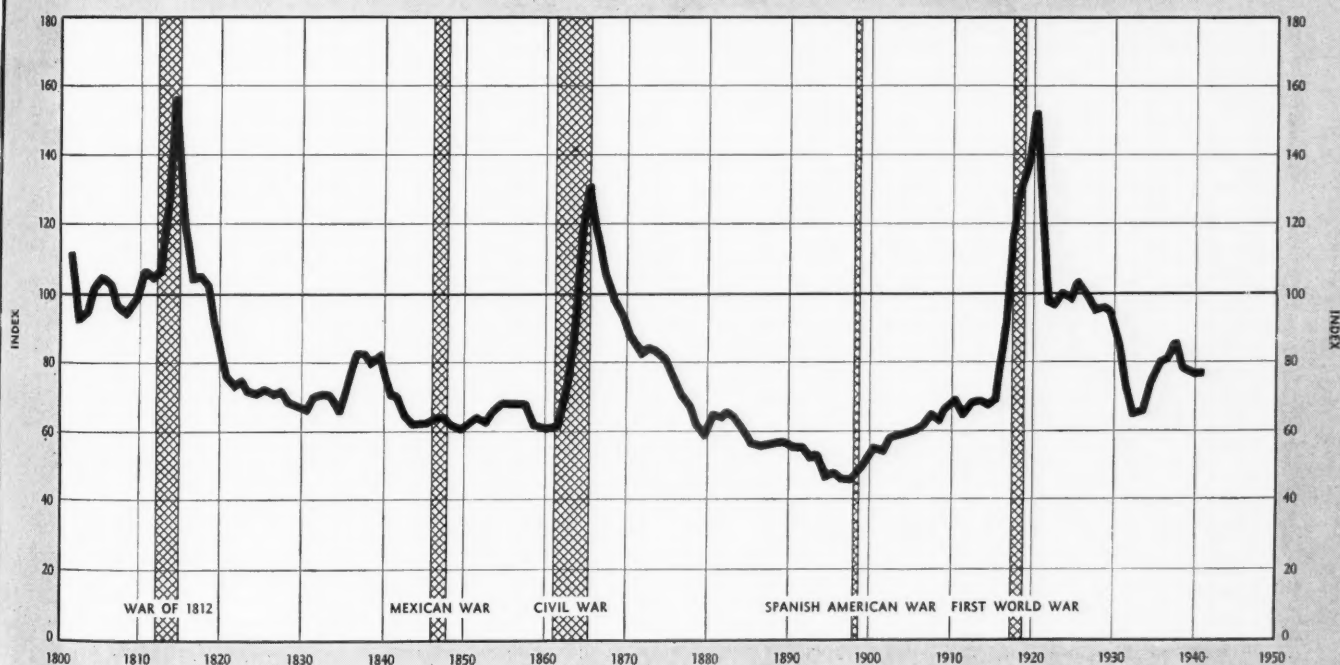
The Consumer Division's pleasure at the outcome of these conferences was not merely polite. Its heads felt that the co-operation offered it was genuine and intelligent. They have been helped to hope that by the democratic means at their disposal at least a visible dent in their job can be made—with the inevitable reservation of course that co-operation cannot exorcise physical shortages. That is another problem,

although returning to the present one the task of avoiding *profiteering* in scarcity items is regarded as lying within the power of mere co-operation to perform. This means keeping profit margins normal regardless of what the public would pay if it had to.

It would be no small achievement if a large part of the job should be done at this level. When we arm and even if we should fight, presumably a belief in the ability of human beings to do hard things together and of their own free will is mixed up in the democratic values regarded as worth so terrific a price. If it works, hundreds of thousands of business men will have abjured profits that for a time could be had for the taking, and while control by law would be certain

WHOLESALE PRICES IN THE UNITED STATES THROUGH FIVE WARS, 1800-1940

(U. S. Bureau of Labor Statistics Index, 1926=100; yearly averages, 1800-1939; eight months average, 1940)



in the long run, human beings collectively are not renowned for taking the long view. It would be democracy in a peculiar but nevertheless one of its very best moods.

Whatever the final necessity for governmental intervention at difficult points, co-operation has proved itself sufficiently in comparable settings abroad to be sure of an important place in the complete scheme at home. Even amidst the elaborate compulsions of the English price-control system there are local committees made up of consumers, traders, and professional people on whom the brunt of the work rests. It is true that they can recommend prosecution, but they are expected to settle most cases on the ground.

A better parallel, however, is available in Canada. A "War Time Prices and Trade Board" is equipped with large powers, but in the retail trades maximum prices have had to be fixed for only flour and bread. There too the emphasis has been on the prevention of profiteering rather than on absolute dictation of prices. Major reliance has been placed on trade co-operation. Part of the explanation, it must be admitted, lies in the fact that Canada is not under direct and terrible pressure as is the case with England. When there isn't enough to go around it is of no help to be sanctimonious. But as long as solutions lie within the resources of co-operation, there is freedom from the exasperations of inflexible price fixing, rationing, priorities, and licensing.

Naturally in working with polyglot and far-flung industries, it is not expected that sweetness and light will be the only instruments of control upon which the Division will call. Some of its own language has been fairly grim, as in the instance of the following observations of Chief Economist Ben Lewis to the conference of national trade organizations called into consultation:

"We believe that, considering the extent of existing inventories of un-



Across the Atlantic a nameless artist (in the "Megendorfer Blätter," Munich) saw in 1916 a very different Uncle Sam, less defending himself than feeding the fire consuming Europe.

utilized resources and facilities, and present rolls of unemployed labor, the military and civilian needs of the Nation can be taken care of without sacrifice to either, for long in the future. As a reflection of this belief we shall look upon any spiraling of the prices, any hidden deterioration of the quality, or any substantial shortages in the supplies of civilian commodities, at least provisionally as evidence of a breakdown of the free market as an effective instrumentality of national defense. We shall be reluctant to believe that impositions upon the consumer are the natural results of the fuller employment of our economic system occasioned by the demands of the defense program. . . .

"We are not prepared to accept shortages however 'traditional,' as inevitable, save on the clearest evidence. We shall expect to find that the origin of most untoward developments lies in the market rather than in the defense program, and our efforts in this area will

be keyed to action, as well as to explanation."

But some goods are so tragically essential to so many millions of people that ordinary measures of policing and co-operation may not be sufficient. They fall roughly, although with nothing like mutual exclusion, into two classes, (1) daily necessities such as food, clothing, shelter, and pharmaceuticals, and (2) those in which the rearmament program may cause early or eventual shortages. In both these areas there is a strong sentiment in the Consumer Division for action before instead of after the harm is done, on the elementary reasoning that the earlier they get into at least the problems they can see coming, the better will be the chances of conquering them. The Consumer Division regards part of its job therefore as one of anticipating shortages.

The reasoning can run to the dangerous point of interfering with off-center features of the rearmament schedule. If a consumption goods industry lacks an essential raw material that is also needed by the Army, at least an inquiry is justified as to whether a temporary hitch in that particular corner of the arms program would be fatal. We will still see occasional challenges passing between peace and war industries for priority on goods strategic to both, and the Consumer Division may consider the occasional offering of such challenges as among its responsibilities.

Shortages

Fortunately in the present stage of rearmament at least, there seem to be very few threats of shortage in consumer goods sufficiently serious to raise a cry for enlarged production facilities.

It is readily recognized of course that new capacity is not the only an-

swer to every apparent threat of shortage. The general policy of the Advisory Commission to distribute and space orders in ways that will insure maximum utilization of existing capacity holds great interest for the Consumer Division. To its mind there is no particular reason to limit this kind of management to war goods. Full utilization in some industries is primarily a matter of year-round utilization, and the coveted "normal flow of goods" in such cases would not be regarded as fatally interrupted merely because their production was pushed out of its normal season. And if the Army's own plans would not suffer from being assigned the off-seasonal place, so must the better.

Bold ideas can also bloom in the lush soil of consumer sentiment.

There has been some talk of using the present emergency to achieve all the long frustrated aims of the consumer movement in so far as it focuses on the consumer-buyer program. Meticulous product descriptions, compulsory ABC grade labeling, imposition of new and elaborate regulations over advertising would from this partisan slant be the good that this otherwise dreadful ill wind would blow to us. There would be consumer vigilante committees on every street corner. References have been made to the existence of factions in the Consumer Division, one wishing to reform the country at long last, the other merely to arm it against possible economic disaster. No one can write informatively on the souls of relative strangers, and there is no doubt that men and women of different economic

complexions are banded together in this "Consumers at War" chapter of the movement's interesting saga. As far as official acts to date are concerned the main objectives would seem to be limited rather closely to the job of taking as much economic pain out of rearmament as possible.

As to measurements of prices, the Consumer Division has an idea that may be droll in the light of conventional notions, but not to people who have to keep on living in a teetering world. That is to keep an eye on the real prices of the real quality or function of the product being purchased, as well as the product itself. It is interested, for example, not only in cod liver oil prices but in Vitamin D prices. It is interested not alone in meat, but also protein.

The problem to the consumer is to get the needed nutritive element or useful widget. The Government's purchases make it harder for people to get the things they need in the forms to which they are accustomed. The Government, therefore, has the responsibility of helping to keep prices of the original forms down or of finding effective substitutes.

Four Dangers

In the main however the strengthening of the civilian's economic position to the extent that military exigencies will either assist or permit is today very much a part of the nation's business. Deliberate disruption of the ordinary processes upon which economic theories rely give the country the job of saving itself from its own violence.

By the way of rough summarization, the unit to which the Division has entrusted the task looks primarily down four of the many avenues by which peril may steal: (1) a raw material shortage, in forestalling which the Division co-operates with Mr. Stettinius' organization; (2) a plant capacity shrunken in spots by requisitions for rearmament, and to replace which there may be need for (a)



"Speaking of crops. . ." taunted Doheny in the Cleveland "Plain Dealer," after the first World War had continued for 26 months. Speaking of figures, prices of industrial stocks on the New York Stock Exchange (closed August, September, October, 1914) had climbed 28 or 29 per cent, a little less than the rise in wholesale commodity prices.

conversion of factories from the production of unimportant to urgent peacetime goods as well as the many expected conversions to war goods, plus (b) construction of new plants for consumers' goods without any political hesitancy, whenever and wherever the need can be anticipated; (3) a labor shortage, against which the Division may encourage the training of labor for work on consumers' as well as military goods when shortages appear to be likely; (4) shortages in some consumers' goods, suggesting the desirability of consumer education on substitute products.

The job has not yet been done, the proof is in the pudding, etc. At best the theoretical responsibilities assigned to the Consumer Division are so great that it would be surprising if its plans did not in spots outrun its facilities for execution. The big comfort is that so far, with respect to consumer goods, the demand adipose has shown few signs of bursting out of the supply breeches.

III. PRODUCERS' PRICES

AS IS ALREADY apparent, the Price Stabilization Division under Mr. Henderson has cheerfully accepted co-operation on some of the functions usually associated with its title, and some it has relinquished. Not unrelated to this phenomenon is the fact that this Division is not any more interested than the Consumer Division in price "morals." The latter will continue being whatever they are, which is largely a matter of opinion anyway. And the Price Stabilization Division has not been particularly interested in economic feuding. It was almost at once rich in proposals from a wide variety of sources. In fact it has already commended itself to observers by the intelligence with which it refused to consider most of them, and in particular by its disinterestedness in sweeping doctrinaire measures aside. Its aim is broad enough, namely that of keeping goods as nearly as possible on a free and fluid and effective

exchange basis despite the intrusion of war demands.

But so far the Division has preferred to pick its way toward this objective by meeting concrete individual problems. Where it has acted it has acted specifically and with extensive information on circumstances. Its principal method is to hold conferences where price increases seem unjustified. No scheme of broad price regulation is as yet in prospect. The most important matter of concern to it is the effect of price changes on the system generally. That focus is not broad enough to include raising Cain over the price of lettuce at the corner grocery store, although the Consumer Division will presumably have to do some bustling about in case of widespread complaints of that character.

Naturally, out of much thought on the requirements of its assignment, enough ideas have become semi-official to make selection of the "most important" a bit hazardous. But, irrespective of superlatives, there are three aspects of emergency price behavior that the Division will worry about at the drop of a hat. One is with respect to basic commodities and the second with respect to the outlook for prices in case of an up-to-the-hilt preparedness effort.



Above—Suggestive of current speculation about the inviolability of the wages and hours act, Kirby in the New York "World" in 1916 was asking of the eight-hour law "Will it hold?" Right—Kirby of the New York "World" again, this time in a more confident mood, boasting: "I should worry!"



The third merely includes "prices" as such in its general scope, and has taken the form of positive assistance to other divisions of the Advisory Commission in the development of practical purchasing and financing procedure.

There is particularly deep interest in a group of from 20 to 30 basic raw materials, such as steel, copper, aluminum, and paper. Such commodities start many of our major industrial processes on their way and pass through so many fabricating stages as to acquire considerable leverage power on the prices of ultimate products. They enter in one form or another into so many final products as to register a definite impression on general price levels themselves. The question therefore is not even one of whether increases are justified but what can be done to soften the effects.

Between these key materials and Miss Elliott's cod liver oil and proteins are hundreds of thousands of items that will have to be kept under casual observation. If their prices get out of line, one of the two Divisions will want to know why, but there will be little inclination to turn the new Army and Navy loose on them as long as they travel on short arcs. One good clue to an understanding of the official attitude is that even profiteering can be less im-

portant than price rises that for any reason can have dangerously ramifying effects.

The first defense against untoward developments in this area lies actually with Messrs. Knudsen and Stettinius and outside the Price and Consumer Divisions. It is their task to enlarge production facilities and to insure a flow of materials. The Price Division attitude is that if they are successful in doing these jobs, Mr. Henderson can practically anchor his fishing boat in the Chesapeake as far as this particular responsibility is concerned, instead of doing so merely on Sunday.

Few Price Rises

Supply is generally believed to be sufficiently ample to accommodate demand without any provocation for price blow-ups save in the case of a limited number of bottle-necks. And it is true that prices in general have not done anything exciting so far, even though they are in some instances contending with increasing production costs. There have been signs of skittishness in some of the industrial products under early pressure, but no basis for runaway inflation. The President

The same fear which Bradley (Chicago "Daily News") expressed in 1916 is now in 1940 a problem which the Defense Commission is constantly confronting.

himself has seen fit to compliment industry on its restraint. In the few cases where abnormal increases have come to light, either the spurious boom has been squelched by publicity, or agreement on proper policy in the affected industries has been reached by negotiation. This was usually not as difficult as would be expected by people with knowledge of the complexity and intrinsic stubbornness of price movements. The unreliability of trade rumors in a period of unnatural stimulation sometimes lay at the bottom of the trouble and could be corrected by official release of the facts concerning prospective buying.

This was the case with lumber. Prices became agitated because of a series of duplications in inquiry, beginning with the Army Department in charge of cantonments and ramifying through trade channels until retail dealers started feverishly re-counting their board-feet in stock and worrying over the possible desirability of building up inventory. A press release describing the actual situation turned out to possess marvelous soothing qualities, and that instrument may find itself rated as a new Economic Force when the historians start bickering over the Meaning of the Events of this Period. A press release that predicted "news"



in the event of certain contingencies rather than merely reported it, recently came to view in the form of Commissioner Henderson's public announcement to the copper, zinc, and lead industries that unjustified price advances would result in the adoption of certain named methods of protection. Among the latter were tariff reductions, export embargoes, and open hearings.

But even so, the Commissioner's Division prefers to rely upon negotiation to accomplish its ends and believes in the efficacy of that device in most situations. Even in the case of industries put on public notice the Division does not balk at recognizing that price-making is an onerous task in markets awash with unpredictable demand. Negotiation was its recourse with the woodpulp industry, among others, and a mutually satisfactory understanding was apparently reached.

Negotiation was successful in clearing up the true supply-

space Army orders as to avoid landing on industries in their normal peak sessions. Steady contact is maintained with industries closest to the war-demand front, as well as with others showing a disposition to act as though they were. In short, toothless measures are confidently expected to serve as long as the strain between supply and demand is no heavier than at present. As a matter of fact the Division has no power anyway, save resort to statutory departments of the Government, and has asked for none.

But the future is another matter, and prices in the future occupy much of the Division's thoughts. To some of its members the problem is the conceptually simple one of keeping supply *ahead* of demand, and of starting to do it *now*, whenever capacity shows signs of strain. It was remarked in the last

What would be the requirements for 4,000,000 men, regarded as eventually necessary by one military school of thought, how would they be filled, what would happen to prices, and what would happen to people? The questions are not at all rhetorical. Expansion of all conceivable needs would certainly not be in proportion. Already some bottle-necks have developed in a military program which some call child's play in comparison with the scale needed to carry us through a major war. It is inevitable that new shortages will be progressively disclosed as Mars' bit sinks into our industrial resources. What will they be six months, twelve months, eighteen months from now? The Price Stabilization Division does not know, but it wants to assume the worst and prepare for it—not merely in the name of military security, but in the name of price stability and general sanity. Otherwise, if the worst comes to pass, the internal strain could be as tearing as the crash of enemy bombs.

Full Capacity

Waste and needless capacity? No one knows, but the full capacity advocates expect it to be cheap on the frightful relativity basis to which we are having to accustom ourselves. They expect it to pay for itself many times over in some instances through the avoidance of price spiraling that it will insure. Bernard Baruch has said that the last war cost us from \$13,000,000,000 to \$15,000,000,000 more than would have been the case had just such price spirals, emanating perhaps from areas of limited capacity but spreading everywhere, been eliminated.

For all these reasons, the Price Stabilization Division has sympathized with reasonable requests on the part of industry for accelerated amortization rates on new plants. That is another issue, one in fact that turns on the fear of a short emergency. The central idea is that they regard themselves as satisfying their obligation to do the best they can about prices—it is not sensible to

In February, 1917, the burglar was already coming in the window when H. T. Webster (New York "Globe") caricatured an apprehensive Congress belatedly feeding the watch dogs. When feast had been famine for the dogs, nourishment had been going, Webster implies, to the handsome structures framed on the wall, post offices at Podunk, Sauk Center, and Squedunk.



demand status of scrap iron. The incident was a fairly notable one as scrap iron is important and neither runaway prices nor an arbitrary price ceiling was desired by either the dealers or the great majority of their customers in the steel industry or the Price Division itself.

Both the conference method and the readiness to whip up public opinion where necessary are backed by an assortment of other peaceful if minor price stabilizers. "Buy Now" campaigns, the perfect device for stampeding already jittery markets, are duly deployed. Efforts are made so as to

article of this series² that they regarded any need for the use of priority powers in directing the flow of an industry's output to critical points as *prima facie* evidence of a need for new capacity. We have had no real test yet. Much of our present expansion program is for 1,200,000 men with reserve material for 800,000 more.

² "The Defense Program Remodels the Economic System," DUN'S REVIEW, October 1940, pages 5-22.

say keep them up or keep them down, as though prices were a pair of pants that had but one proper position under all circumstances—by plugging for more capacity.

An incident from over the horizon might qualify as evidence on the point.

cost of different methods of rearming.

Naturally there are objections to merely feverish expansion of productive facilities. One is that so much plant will not be needed. The answer requires clairvoyance and will not be attempted here. Another takes the

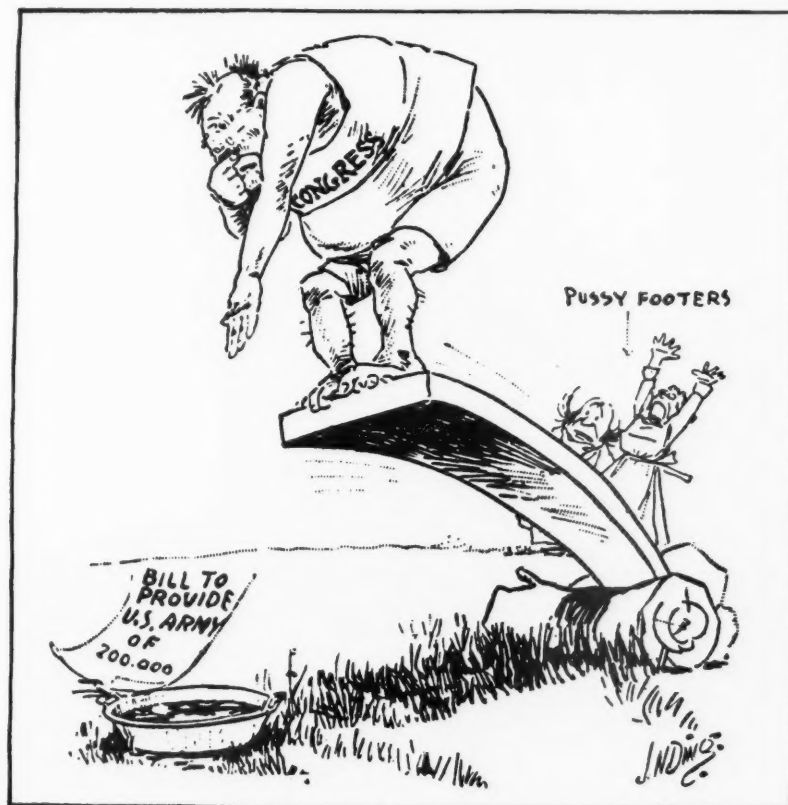
The weakness of figures of speech, of course, is that every commodity will present a different problem. With some you do everything if you are going to do anything, with others expansion requires no lengthy preparation, and with still others you must start now to have them ready five years from now. The real question, however, lies not in one of distinction between cases but in a disposition in some quarters to move faster and farther in all directions than other quarters consider necessary.

Afterward

Another question is how much consideration should be given to the post-emergency effect of these developments on the business structure. The principal claim advanced for large, medium, small or any other kind of plant that anyone in Washington espouses is that it will provide the best means of getting ready for an emergency. But just the same, no one who has watched Washington in action during recent years can suppress all his recollections of the ideas that men have stood for. Competition has been considered insufficient. New plants and new competitors would stimulate it. The country's grim emergency happens at certain points to have coincided with the gravamen of a theory. Build now against the day of crisis, some say, and not only will patriotic service be rendered but a weakness in our peacetime economy remedied.

That does not happen to be the rationale of the Price Division. In fact it would probably be repudiated there, on the single ground that shortages for war would have only an accidental relationship to peacetime monopolies. The only negative note to be sounded on this particular score, is the Government's possible inability under present law positively to guarantee to withhold emergency plants from post-emergency competition should such a course be found desirable.

On the economic front, indeed, the reasoning is that enlarged capacity is



Perpetual butt of cartoonist's jibes, Congress, was dreading "The Great Plunge" 24 Summers ago, when Darling was at the drawing board of the Des Moines "Register and Leader."

As recently as three or four months ago the British Treasury was still fighting over the financing of new plants. It was faithfully discharging its rôle as guardian of the public money. In the meantime prices went up. The sepulchral question indicated in the circumstances is "wouldn't it be better to have taken the chance on investment in return for the certainty of capacity and stabilized prices?" This without regard to the rather important matter of managing to survive. But the reference to survival is an intrusion. The only issue here is that of the relative

practical form that plant expansion for 1,200,000 men and 4,000,000 men is to a surprising extent the same in so far as opening steps are concerned. The sensible solution is to provide for further expansibility when basic facilities for new plants are planned. That means the kind of insurance that would come from provision at the outset for a generous layout of such facilities as power supply, railway sidings, and elevator and storage capacity. In other words, it is not necessary to build completely for a bizarre new world, but merely to make the present foundations broad.

the best defense against the threats of economic dictatorship. The premise on which the proposal rests is that of free enterprise, and money is being spent not to change it but to fortify it. If there is sufficient capacity in private hands to satisfy war needs, the chances of putting the economy into a strait-jacket are less than if Government had to move in with extensive and minute regulations and controls in order to conduct a modern mechanized war.

Later Control

If enough is done in the next few months such dangers may be lessened or averted. Under present conditions, given such a crisis, Government would have to take over extensively. Would it afterwards be shaken off? We faced this query in the last war, but then we did not have so unstable an environment and a hateful familiarity with dictators' methods of perpetuating themselves. If English industrialists early in the game had expanded their plants to the scale of a major war effort, would there now be the need for "socialism in our time," as the present system was recently styled by a noted English scholar?

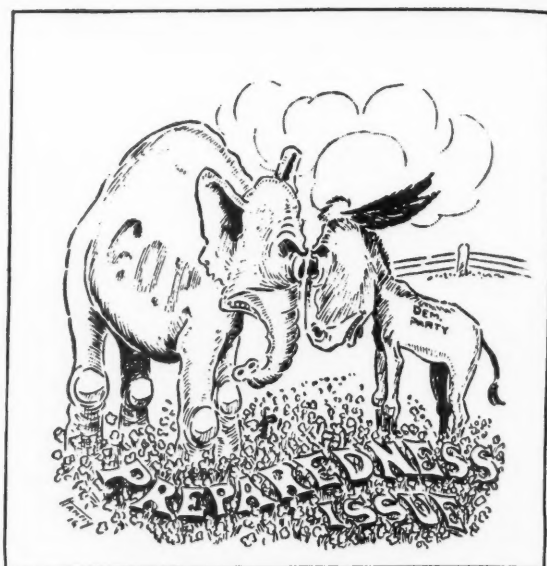
It is clear therefore that the job of keeping prices stable through the emergency merely begins with the surveillance and judgment of rises as they occur. It reaches upward into anticipations of long range needs, outward into the buying and plant financing methods of collateral branches of the defense organization, and down into the unlike intricacies of market behavior under normal conditions and under strain. In the fashioning of defense policies carrying no mark of price and familiar to the public merely as pronouncements of the high command, the desire to keep specific prices geared to general buying power has played an effective part.

The Price Stabilization Division has regarded its responsibility as one of reasoning from scratch in the many individual situations coming before it, of being guided by its best estimate of

the consequences of proposed policy rather than by clichés. The phrase "competitive bidding" for example throws off a penny-saving tinkle, but the Division in fact co-operated with the Coordinator of Defense Purchases for its replacement in appropriate cases by negotiated contracts. In the latter device it saw a chance of lessening the concentration of Government orders in already congested localities that would presumably be one of the fruits of blind price-buying. The virtues of competitive bidding did not appeal to it as extraordinarily nourishing if all the bids were high and uniform. The Division has therefore willingly underwritten the prevailing policy of using such bids where necessary as a mere jumping off point for closer bargaining. Far from merely approving, its attorneys explored the Government's experience under old laws and its powers under new ones, looking for the best ways of accomplishing its end irrespective of orthodoxy.

Best and Quickest

This Division likewise collaborated with the Raw Materials Division under Mr. Stettinius in making anticipation purchases of vital commodities and in financing stock piles. Not today's prices, beyond the dictates of ordinary business judgment, but tomorrow's were the real stake in the game so far as its particular responsibility was concerned. It took a deep interest in the struggle to develop suitable methods of financing new plant construction. Its paper rôle in this struggle would have seemed to be one of opposing with drawn sword any bargain more generous than the closest that could be driven. Its actual rôle was to support the proposals that promised to get the



"I was here first," said both elephant and donkey in mid-1916 (Hanny in the St. Joseph "News-Press"); but in November Wilson, not Hughes, was first.

best and quickest results. Price pyrotechnics in the days ahead looked more deadly to it than reasonable financial costs at the moment, and the country's prime purpose of getting arms was pushed another notch forward. Price, but price in all its ramifications, has set wide horizons to the influence on our national defense program of an approach traditionally negative in concept.

In the new setting there has been almost none of the old NRA friction between factions trying to control price and those trying to set it free. In the first place everyone concerned is moved by a common and sobering purpose. The maneuvering limits are much shorter, for the urgency of the need keeps most arguments on relatively short tether. Secondly, the Government's official price guardians are laboring over threats to price stability that come out of the Government's own actions, and not out of industry's grievances against what it once regarded as competitive excesses. And finally, as the "guardians" themselves acknowledge, business is much more aware of the importance of price policy than it was ten years ago. Particularly in an

emergency such as the present, it has more dead reckoning marks to go by. It can look back to the years 1916 to 1922 and of its own accord prefer price stabilization. Despite outcries over its supposed self-enrichment in the last emergency, its private feeling is that artificially stimulated price booms are more notable for their hangovers than for the fun they afforded.

The reasons are many. That much of what went up came down is one of them. And at any point in the process prices also became costs. Violent price spirals have firmly registered in many executives' minds as something to be dreaded, and by the same token there is little eagerness to be responsible for them. This may be industrial statesmanship or it may be merely a long memory. There may in fact be little distinction between the two. But whatever the reasoning, the current crop of price protectors and profit seekers actually conducting the nation's business are so far not complaining very much about each other. Such cries as are heard are mostly from outsiders who have not had to struggle with peculiar realities of the emergency. At any rate, narrow attitudes are not to date, on either side, one of our bottle-necks.

Economic Planning?

Some of the talk about the efforts of the Defense Commission to keep social and economic considerations before it sounds like more economic planning. Perhaps it is, in the sense that in an upside-down world a man must stand on his head to remain upright. We do not want war but are preparing for it. We want as little arbitrary management as possible, but we also have to do something to protect ourselves from our own current economic violence.

The spending by Government of so huge a sum of money for defense needs is really out of the field of private enterprise, and some degree of planning is generally recognized as essential to prevent this spending from disturbing, more than necessary, the nor-

mal operations of the economy. The spending of WPA money by Government will naturally be planned, for it is an arbitrary operation both in conception and execution, and defense spending is in a somewhat similar category.

When the Commission uses negotiated contracts, priorities, and price control to serve economic and social as well as military ends, it is not doing two things but complementary portions of the same thing. The task which we as a people have set ourselves can only be accomplished by national unity, one essential to which is equitable distribution of sacrifice. Another requirement is foresight, which means avoiding careless dislocations that could leave us with a distorted and pain-wracked economy on our hands after the emergency passes. It would be a hollow victory to weaken by our impetuosity the national integrity that we thought to defend with guns.

There is really no such thing as total planning, but study of the relation of

various degrees of it to identical purposes in various countries will always be fascinating. Under any form of government there will be a stratum of private conduct that supreme wills cannot reach. In our kind of democracy this stratum is definitely tucker than in a people for whom somebody else thinks up the desirable sacrifices. We have no choice but to allow our preferred way of life to go up against the test that mankind in its worst mood can devise for it, the test of competitive destruction or ability to avoid it. One of the most difficult problems is to keep our sacrifices limited and selective. We hope to produce effective men, machines, and material to the extent that they are required. We also hope, in terms of the relationship between achievement and social costs, not to use 300-ton bulldozers to crack walnuts. There is not much room in military blue-prints for this phase of war-making. It has to come out of the intelligence and economic consciousness of our collective leadership.

Expressing a last war hope that has gained currency again, Kirby (New York "World") wrote under this optimistic piece: "Two patriotic Americans."



THE FINANCIAL STATEMENT *of the* FUTURE

THE FIRST OF TWO REPORTS ON A DUN & BRADSTREET SURVEY OF
PROFESSIONAL OPINION ON ACCOUNTING CONVENTIONS AND PROBLEMS

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ACCOUNTANCY is still going through an evolutionary stage. One accounting firm will charge a write-down in inventories to surplus, another will make a charge to net earnings. One accounting firm will set up the cash surrender value of life insurance as a current asset in the balance sheet, another will set it up as a deferred asset. One accounting firm will set up the current yearly installment of a funded debt as a current liability, another will allow it to remain as a deferred liability.

Accountants as a group have been inclined to feel that the variety of circumstances surrounding most accounting problems are so great that no fixed rule can be determined which will apply in all situations. "The accountant is a professional individual," one hears time and time again, "and like a doctor, he must not be told how he must act in a given situation. He must be trusted." The activity of one firm in auditing the books of one large corporation, however, may affect hundreds of thousands of stockholders. The treatment of a doctor affects only the patient.

In May 1940 DUN & BRADSTREET, INC., mailed a sixteen-point questionnaire to four groups of carefully selected individuals in all parts of the country, to individuals who had evidenced a serious interest in the trend of evolution in accountancy: bank loaning officers, financial executives of larger industrial and commercial corporations, mercantile credit men, and accountants. Fifteen hundred questionnaires were mailed to each group, 6,000 in all. Approximately one in four replied.

Opinions on Changes

The sixteen questions sought to determine the probable character of financial statements in future years. They asked opinions, for the most part, on the desirability of changes in the inclusiveness of the balance sheet, and in reporting or accounting for inventories, investments, deferred liabilities, and surplus. Answers to the first eight questions are summarized in the table on the opposite page. The four questions printed in bold face (dark type) will be discussed here in some detail. Answers to the second eight questions will be reported in the December number of DUN'S REVIEW.

Most of the questions asked opinions about changes in accountancy which would involve more work, more expense, or at least a change in habits, forms, or procedures for those responsible for the accounting. Of the four groups, corporation treasurers and



WORKMAN AT GEAR HOBBER, WORTHINGTON PUMP & MACHINE CO.—PHOTO BY LWTG CO.

From an analysis of several thousand financial statements, Dun & Bradstreet has prepared annually, for the past nine years, under the direction of Mr. Foulke, typical ratio figures for 72 kinds of business. The figures for 36 manufacturing industries based on 1939 financial statements, appear on pages 22 and 23. Ratios for 24 wholesale and 12 retail trades will be presented in the December number.

accountants would generally be the ones to bear the weight of added work, expense, or habit changing; bankers and mercantile credit men, through having additional information or possibly more conveniently placed data, would be the ones to profit most directly. For the first eight questions the treasurers' and accountants' approval of the proposed changes averaged only 62 per cent; the credit men's endorsement, 74; the bankers', 82.

?

As consolidated balance sheets often are not adequate to analyze a situation where credit is being granted to individual units, should there not be developed a more general practice of including in an audit report or in an

examination of financial statements the consolidating balance sheet, which would give the individual financial condition of subsidiaries whose assets and liabilities are consolidated?

	Yes Per Cent
BANKERS	99
CORPORATION TREASURERS	87
MERCANTILE CREDIT MEN	92
ACCOUNTANTS	91

Bankers, as the record shows, were almost unanimous in their approval of extending this practice. Most of them remarked that no loan to a parent company would be considered without full information about each subsidiary. Both bankers and credit men mentioned the smoke-screen potentialities of a consolidated balance sheet.

Corporate finance officers for the most part agreed. Several suggested, however, that a consolidating balance sheet would not be necessary where debts of subsidiaries were guaranteed by the parent company. Three who voted "no" observed, respectively, that added information would entail extra work, might be of a confidential nature, or would tend to "confuse the average reader."

Of the few accountants who objected most cited the last two of the corporate treasurers' three complaints. Although several accountants stressed the "too cumbersome" point, only one suggested a definite limit, that consolidating balance sheets should not be used where there were more than ten subsidiaries.

More impressive, however, than all the negative replies considered in full, is the mere statistical preponderance of the favorable ones.

?

Do you think that balance sheets would be improved if it were necessary for an accountant to show clearly on the face of the balance sheet, not in the certificate, any items not substantially verified by audit procedure, and to show there the basis of valuation on which all asset items are listed in the statement?

	Yes Per Cent
BANKERS	90
CORPORATION TREASURERS	74
MERCANTILE CREDIT MEN	89
ACCOUNTANTS	55

The affirmative replies of bankers were typically justified with such remarks as this: "The complexity of many modern balance sheets is making it increasingly necessary to know exactly what figures auditors verify."

Agreement seemed fairly uniform on the verification part of this question, but less so on the "valuation" part. One answer declared: "Think all items not substantially verified by the auditor should be definitely indicated on the statement, but do not think an explanation of basis of valuation could be set

PROFESSIONAL OPINIONS ON EIGHT ACCOUNTING PROBLEMS
IN BALANCE SHEET AND INVENTORY TREATMENT

	PER CENT ANSWERING "YES"			
	Bankers	Corporation Treasurers	Mercantile Credit Men	Accountants
BALANCE SHEET QUESTIONS				
Should balance sheets and income accounts be presented on larger sheets, permitting more detailed description of items?	87	66	80	63
Should consolidating statements be included more generally in an audit report or in an examination of financial statements?	99	87	92	91
Should an auditor disclose in the title of a consolidated statement the names and addresses of consolidated companies?	98	93	97	86
Should balance sheets show the bases of asset valuations and any items not substantially verified by audit?	90	74	89	55
Should accountants aim at ultimately developing a distinct and uniform balance sheet and income account form to be available for each line of business?	90	74	80	72
INVENTORY QUESTIONS				
Should the auditor accept full responsibility for verification of the inventory?	41	21	39	11
Would it be practical to develop a professional group of inventory appraisers?	57	27	43	44
Should balance sheet footnotes explain commitments for future deliveries, giving both fiscal date prices and actual commitment prices?	92	55	69	72
Average	82	62	74	62

This table summarizes the first eight of sixteen questions in the DUN & BRADSTREET survey of accounting problems. A summary of the remaining eight will appear in the December number. Of the eight questions in this table the four in bold face (darker type) are discussed in the accompanying text. A more complete analysis of the answers to all sixteen questions will soon be published by DUN & BRADSTREET, INC., in booklet form. Copies will be sent to the 1,503 contributors to the survey and to others who request them.

FOR 36 MANUFACTURING INDUSTRIES—FOURTEEN IMPORTANT FINANCIAL

(When the figures for a given ratio in a given industry are arrayed in a list according to their size, the median is the In this table the inter-quartile figures appear in italics and show the range of experience of the middle half of the

LINE OF BUSINESS	Number of Concerns	Current Assets to Current Debt	Net Profits on Net Sales	Net Profits on Tangible Net Worth	Net Profits on Net Working Capital	Turnover of Tangible Net Worth	Turnover of Net Working Capital	Average Collection Period	Net Sales to Inventory	Fixed Assets to Tangible Net Worth	Current Debt to Tangible Net Worth	Total Debt to Tangible Net Worth*	Inventory to Net Working Capital	Inventory Covered by Current Debt	Funded Debts to Net Working Capital*
		Ratio	Per Cent	Per Cent	Per Cent	Times	Times	Days	Ratio	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent
Automobile Parts and Accessories	83	4.50 3.33 2.26	7.16 5.09 2.06	17.14 11.60 3.33	33.03 21.09 5.92	2.89 1.96 1.47	4.89 3.82 3.10	27 39 52	7.6 5.6 4.3	36.2 49.0 62.9	14.6 21.1 43.8	62.0 94.2 146.7	53.7 71.8 97.9	48.9 63.4 83.6	60.6 87.1 108.5
Breweries	49	2.48 2.08 1.47	8.76 4.65 1.22	17.92 8.31 1.35	67.15 53.08 6.70	2.60 1.75 1.09	22.66 10.77 5.68	15 21 35	20.0 16.3 13.1	76.2 87.3 105.7	13.1 19.9 30.7	30.9 33.5 50.8	47.5 67.8 106.1	103.9 164.3 226.5	62.6 103.7 139.2
Building Contractors	129	3.48 2.15 1.59	1.96 1.32 0.19	15.35 6.40 0.42	38.10 15.26 1.57	8.26 4.62 2.18	17.91 10.75 6.39	** ** **	** ** **	8.5 21.1 35.1	15.1 40.0 77.0	31.9 61.9 104.4	** ** **	** ** **	55.1 64.3 83.1
Chemicals, Industrial	54	4.82 3.31 2.49	8.30 5.90 1.18	13.70 9.11 0.74	39.00 18.70 2.02	1.60 1.54 0.59	4.70 3.20 1.87	30 38 44	6.7 4.6 3.6	25.3 43.4 71.7	9.4 22.1 38.1	37.0 54.7 80.3	50.9 69.4 90.8	39.8 62.9 89.0	54.0 78.2 127.0
Clothing, Children's Dresses and Wash Suits	37	3.72 2.62 1.82	2.02 1.01 0.31	19.42 6.06 1.72	22.62 6.58 2.53	8.60 5.88 3.34	12.50 6.90 4.20	23 36 51	22.2 10.2 4.4	4.6 9.2 15.3	17.8 42.9 82.2	...	41.6 72.1 101.8	46.5 72.4 148.2	...
Clothing, Men's and Boys'	279	3.11 2.15 1.67	1.70 0.88 0.16	8.26 4.13 0.78	10.09 4.88 0.82	6.11 4.15 2.87	7.01 4.66 3.56	44 64 95	9.0 6.2 4.1	2.2 5.4 13.9	32.6 65.8 109.9	...	53.2 83.3 115.0	56.7 92.1 135.3	...
Coats and Suits, Women's	95	4.42 2.82 1.93	0.65 0.22 0.20†	6.52 1.64 0.87†	8.02 2.01 0.99†	11.04 7.41 4.13	12.05 9.00 5.22	20 28 31	23.9 15.5 8.9	2.9 5.3 9.6	18.6 41.9 80.6	...	27.6 47.2 84.3	57.7 100.9 144.7	...
Confectionery	58	5.30 3.15 1.92	2.73 2.07 0.23	11.74 5.94 0.40	30.41 13.21 0.97	4.11 2.54 1.34	11.89 7.09 5.02	18 30 52	15.7 11.2 8.5	26.4 47.0 64.9	6.1 15.2 32.7	30.1 42.8 66.4	33.0 54.0 78.7	32.5 63.8 121.5	73.2 99.3 157.4
Corsets, Girdles, and Brassieres	38	3.61 2.47 1.78	1.12 0.77 0.09	7.92 3.45 0.25	11.64 4.46 0.43	7.32 5.30 3.35	10.51 7.20 4.48	30 42 64	10.4 6.0 3.9	7.2 14.7 27.4	21.2 45.2 95.1	...	58.7 86.3 123.3	40.6 74.9 99.4	...
Cosmetics and Toilet Preparations	28	4.20 3.46 2.21	8.20 5.52 1.40†	26.82 12.30 2.17†	34.10 17.90 4.04†	4.65 2.10 1.40	8.93 3.50 3.01	30 48 75	8.9 5.8 4.6	6.1 14.4 25.4	15.2 27.1 39.0	...	30.5 60.5 75.6	42.6 77.6 115.1	...
Cotton Goods, Converters	42	3.25 2.30 1.76	2.30 2.02 1.30	15.39 9.30 3.33	18.87 10.72 3.64	7.18 3.90 2.52	9.60 4.60 2.73	42 65 93	8.6 5.9 4.3	0.5 1.0 3.3	30.1 60.5 108.9	...	66.5 86.6 108.3	46.5 85.0 120.4	...
Dresses, Silk and Rayon	90	3.33 2.24 1.76	0.80 0.16 0.50†	6.67 1.51 2.56†	9.03 1.91 3.60†	9.30 6.50 4.69	11.30 8.70 6.69	28 38 51	26.2 21.0 12.9	2.9 5.7 10.7	25.7 61.0 101.8	...	22.8 41.7 64.6	55.4 145.6 212.6	...
Drugs	27	7.20 4.51 2.76	15.93 6.20 0.71	32.78 10.36 1.01	44.20 17.70 1.40	1.99 1.62 1.43	3.89 3.02 2.04	24 46 89	8.5 5.6 4.7	15.5 31.0 37.6	5.9 14.5 24.3	...	40.2 52.6 61.2	21.7 55.5 68.7	...
Electrical Parts and Supplies	64	5.36 3.62 2.22	4.50 2.92 1.92	14.52 7.52 1.70	18.60 8.20 4.80	3.20 2.08 0.92	4.14 2.74 2.02	26 48 70	6.3 3.6 2.9	24.9 37.0 49.3	8.8 20.9 42.8	...	53.2 70.8 87.2	32.7 56.6 93.5	...
Foundries	87	4.55 3.16 2.04	4.40 3.02 0.65	12.90 5.95 1.09	36.49 14.90 4.44	2.78 1.79 1.34	8.79 5.46 3.59	31 37 57	13.8 8.2 6.1	48.1 59.7 76.8	9.3 14.2 27.9	44.3 62.3 104.2	37.0 52.2 84.7	46.5 87.5 142.4	67.5 110.4 185.6
Fruits and Vegetables, Canners	42	2.61 1.84 1.48	2.80 2.03 0.63	9.06 4.80 1.43	19.75 14.27 2.20	5.94 2.41 1.96	14.86 7.36 3.65	14 21 31	4.9 2.8 2.1	43.6 57.8 85.3	26.1 48.6 79.1	47.5 120.7 143.6	77.6 132.0 164.4	50.3 69.9 95.8	54.1 88.7 130.0
Fur Garments	46	4.41 2.82 1.76	1.10 0.30 0.12†	6.31 1.00 0.24†	7.30 1.24 0.29†	5.82 3.01 1.87	6.54 3.33 2.67	47 56 80	11.5 7.6 3.4	1.4 4.8 8.4	12.9 33.4 94.4	...	38.2 55.6 75.4	34.1 55.7 129.6	...
Furniture	115	3.85 2.38 1.78	4.98 2.42 0.65	10.81 4.67 0.95	20.54 9.20 1.34	3.19 1.90 1.34	5.96 3.73 2.62	47 62 80	7.1 4.6 3.6	14.8 37.4 60.1	15.9 35.0 63.0	23.3 71.5 108.6	56.8 76.9 100.9	47.3 74.2 128.3	54.5 79.9 104.3

† Loss. * This percentage was determined only for those lines of business and for those years in which a reasonable number of concerns had outstanding long-term liabilities. ** Building contractors have no inventories in the credit sense of the term. They only carry materials such as lumber, bricks, tile, cement, structural steel, and building equipment to complete particular jobs on which they are working. They have no customary selling terms, each contract being a special job for which individual terms are arranged.

EXPLANATION OF RATIO ANALYSIS TERMS

COLLECTION PERIOD—The number of days that the total of trade accounts and notes receivable (including assigned accounts and discounted notes, if any) less reserves for bad debts, represents when compared with the annual net credit sales. Formula—divide the annual net credit sales by 365 days to obtain the average credit sales per day. Then divide the total of accounts and notes receivable by the average credit sales per day to obtain the average collection period.

CURRENT ASSETS—Total of cash, accounts and notes receivable for the sale of merchandise in regular trade quarters, inventory, listed securities when carried at the lower of cost or market, and United States Government securities.

CURRENT DEBT—Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages, debentures, or other funded debts. This item also includes current reserves such as reserves for taxes and reserves for contingencies set up for specific purposes, but does not include reserves for depreciation.

FIXED ASSETS—The sum of the depreciated book values of real estate, buildings, leasehold improvements, fixtures, furniture, machinery, tools, and equipment.

FUNDED DEBT—Mortgages, bonds, debentures, gold notes, serial notes or other obligations with a maturity of more than one year from the statement date.

INVENTORY—The sum of raw material, material in process, and finished merchandise. It does not include supplies.

FINANCIAL RATIOS—MEDIAN AND INTERQUARTILE RANGE FIGURES—FOR 1939

For each line of business, the middle figure, the inter-quartile range is the range between the figures one-quarter and three-quarters down the list. The first and last figures are the extreme figures; the median figure, showing the experience of the middle concern, appears between the italicized figures.)

LINE OF BUSINESS	Number of Concerns	Current Assets to Current Debt	Net Profits on Net Sales	Net Profits on Tangible Net Worth	Net Profits on Net Working Capital	Turnover of Tangible Net Worth	Turnover of Net Working Capital	Average Collection Period	Net Sales to Inventory	Fixed Assets to Tangible Net Worth	Current Debt to Tangible Net Worth	Total Debt to Tangible Net Worth*	Inventory to Net Working Capital	Inventory Covered by Current Debt	Funded Debts to Net Working Capital*
		Ratio	Per Cent	Per Cent	Per Cent	Times	Times	Days	Ratio	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent
Hardware and Tools	77	5.75 3.12 108.5	6.70 5.96 11.36	24.98 11.36 4.18	53.47 26.14 9.74	3.66 1.92 1.20	8.51 5.05 2.76	19 35 41	13.4 7.0 3.5	36.8 49.9 67.1	11.9 17.3 31.9	33.5 70.8 94.6	52.6 74.8 90.3	29.8 56.0 103.2	64.5 96.9 133.1
Hosiery	96	3.41 2.36 1.52	3.10 2.50 1.80	10.61 6.71 4.06	27.27 15.75 9.27	4.46 2.44 1.84	12.70 6.30 4.58	19 31 39	7.5 6.7 5.1	45.9 63.2 89.4	17.1 30.5 58.6	44.5 96.3 124.6	67.3 91.8 137.0	48.6 80.1 119.0	97.6 105.3 123.0
Knitted Outerwear	83	3.75 2.58 1.80	2.21 1.26 0.30†	8.56 5.34 0.34†	13.74 7.47 1.13†	5.86 3.36 2.08	9.60 5.92 3.74	21 31 59	11.4 7.9 5.2	4.2 19.7 50.6	18.8 34.4 69.2	...	41.6 84.5 114.8	36.9 70.6 94.4	...
Leather Garments	25	6.39 3.56 2.72	2.90 1.70 1.02	17.35 7.42 3.74	19.05 10.16 4.25	5.88 4.70 3.15	6.73 5.20 4.52	20 43 48	8.6 6.3 5.1	2.2 6.9 9.4	12.6 23.8 43.2	...	40.0 61.7 87.2	37.2 50.9 98.6	...
Luggage, Leather	26	3.40 2.25 2.01	2.26 1.04 0.04	14.71 4.13 0.17	19.21 5.05 0.19	5.24 4.42 3.10	9.96 5.61 3.28	32 62 75	8.3 5.8 4.3	6.6 10.7 23.4	12.0 40.3 72.7	...	51.2 78.4 115.3	28.8 60.6 78.0	...
Machinery, Industrial	405	5.21 3.35 2.27	8.56 3.34 0.48	14.35 6.82 0.99	25.14 12.27 1.86	2.69 1.65 1.14	5.08 3.32 2.09	37 51 80	7.0 4.8 3.4	26.2 39.9 57.6	9.6 19.0 39.3	49.5 71.6 106.5	44.4 62.8 86.9	32.1 58.3 99.4	63.5 77.4 102.1
Neckwear, Men's	51	4.78 2.28 1.86	1.30 0.05 0.70†	6.63 0.14 1.83†	8.02 0.20 1.95†	5.05 3.49 2.21	6.21 4.40 2.87	61 72 102	16.0 8.2 4.6	2.1 7.7 10.3	13.3 36.4 86.8	...	25.5 50.2 80.8	49.9 97.0 143.3	...
Paints, Varnishes, and Lacquers	173	5.29 3.33 2.36	3.10 2.10 0.50	9.72 5.12 0.75	17.60 8.09 1.31	2.81 2.24 1.58	5.56 4.18 2.81	42 58 88	11.0 7.2 4.7	23.3 35.4 49.5	10.1 16.9 36.0	55.6 86.9 112.4	44.1 60.0 81.3	34.0 58.6 98.2	65.7 90.1 116.4
Paper	66	4.95 2.81 2.22	4.60 3.10 2.00	8.62 4.60 2.55	32.40 15.38 5.56	1.78 1.44 1.19	7.15 5.10 2.76	32 40 46	5.2 4.5 3.8	45.6 67.6 85.2	9.5 17.9 29.2	37.2 64.5 92.5	62.4 80.0 105.5	35.2 59.9 89.2	78.6 117.0 170.5
Paper Boxes	66	4.65 2.48 1.95	3.90 3.72 0.08	9.79 5.70 0.10	31.80 19.47 0.30	2.45 1.54 1.23	8.35 5.53 4.00	31 48 58	9.9 7.6 6.4	35.9 55.4 73.5	10.1 16.5 41.7	27.5 39.5 60.9	48.7 71.5 106.2	40.4 78.0 106.4	58.8 83.4 108.9
Printers, Job	64	4.48 2.80 1.69	1.30 0.79 0.18†	3.40 1.87 0.36†	16.54 3.73 0.76†	2.93 2.26 1.78	12.49 5.80 4.16	29 42 56	** ** **	32.5 51.2 77.8	10.8 25.5 46.0	44.3 52.6 72.3	** ** **	** ** **	56.9 91.2 166.5
Publishers, Books (printing done by others)	15	5.13 3.63 2.20	10.10 7.10 3.70	20.23 11.56 3.17	28.18 17.12 6.10	2.09 1.66 0.77	2.77 2.29 1.63	52 62 116	3.9 3.6 2.3	5.1 12.9 40.1	13.9 30.1 84.3	...	43.6 61.7 75.4	32.7 63.4 98.8	...
Purses and Handbags, Leather	29	2.99 2.14 1.56	4.02 2.35 0.04	40.78 18.80 0.21	53.66 23.60 0.38	12.87 8.00 7.02	14.27 10.20 9.05	26 35 44	22.9 12.6 10.4	8.0 13.9 22.4	43.9 71.5 124.1	...	52.3 81.1 120.4	83.4 120.4 155.8	...
Shirts, Underwear, and Pajamas, Men's	64	2.90 2.04 1.66	1.20 0.80 0.18	9.36 3.59 0.53	13.39 5.31 0.59	7.24 4.85 3.02	12.23 6.19 3.59	43 54 66	9.8 7.2 5.2	4.3 14.1 32.7	28.8 63.4 118.5	...	49.6 91.1 125.1	61.2 98.7 132.6	...
Shoes, Women's and Children's	72	3.08 2.24 1.54	2.30 1.85 0.95†	13.05 7.80 2.38†	17.17 11.14 2.78†	5.46 4.10 2.15	7.90 6.10 2.95	27 39 53	9.8 7.7 3.9	14.1 25.4 39.6	28.5 51.9 118.9	...	60.0 92.4 125.1	57.5 87.4 134.6	...
Silk and Rayon Piece Goods, Converters	43	3.67 2.35 1.79	0.70 0.52 0.23	4.92 2.71 0.33	5.24 3.05 0.92	7.33 4.81 3.99	7.63 5.08 4.27	25 52 73	10.6 8.4 5.2	0.6 68.6 2.3	36.6 ...	...	58.6 80.6 111.0	70.0 94.6 122.8	...
Toys and Novelties	24	5.02 3.03 2.15	2.70 2.33 1.30	17.47 10.10 6.96	27.49 13.97 7.91	6.64 4.30 4.59	10.05 6.13 5.64	20 36 46	12.5 8.2 5.6	5.4 17.6 22.6	12.2 22.5 57.6	...	32.3 67.6 85.2	33.5 72.6 116.6	...
Underwear, Women's Silk	91	3.44 2.25 1.76	1.10 0.64 0.03	9.07 3.69 0.16	14.83 4.70 0.21	9.40 4.97 3.17	13.26 7.20 4.28	29 40 47	21.0 10.6 5.0	7.7 12.6 23.7	19.1 51.6 85.6	...	46.3 85.1 111.8	58.8 76.0 111.4	...

* Loss. * This percentage was determined only for those lines of business and for those years in which a reasonable number of concerns had outstanding long-term liabilities. ** Job printers have no inventories in the credit sense of the term. They carry only current supplies such as paper, ink, binding materials and lead for type-casting.

NET PROFITS—Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures, and other assets of a fixed nature; reserve for taxes; reduction in the value of inventory to cost or market, whichever lower; charge-offs for bad debts; all miscellaneous reserves and adjustments; but before dividends or withdrawals.

NET SALES—The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales.

NET SALES TO INVENTORY—The quotient obtained by dividing the annual net sales by the statement inventory. This quotient does not represent the actual physical turnover which would be determined by reducing the annual net sales by the percentage of gross profit, and then dividing the resulting figure by the statement inventory.

NET WORKING CAPITAL—The difference between the sum of the current assets and the sum of the current debt.

TANGIBLE NET WORTH—The sum of all preferred stocks (if any) and common stocks, surplus, and undivided profits, less any intangible items in the assets, such as good-will, trade-marks, patents, copyrights, leaseholds, mailing lists, treasury stock, organization expenses, and underwriting discounts and expenses.

TURNOVER OF TANGIBLE NET WORTH—The quotient obtained by dividing the annual net sales by the tangible net worth.

TURNOVER OF NET WORKING CAPITAL—The quotient obtained by dividing the annual net sales by the net working capital.

forth in a sufficiently concise manner to be practical as a general rule."

Many of the bankers' negative replies were really of a passive nature; they did not care where the comments about the limitation on audit procedure appeared, so long as they were included somewhere, in the balance sheet, in the certificate, in the comments, or in footnotes.

Most of the financial executives on the negative side of this question felt that the present method of qualifying a financial statement in the certificate was preferable. Typical comments were, "Might [otherwise] be too involved. Certificate should show this and be typed on the balance sheet, if full report is not submitted."

Of the treasurers who approved the questionnaire's proposal one went on to suggest that accountants should also: "state what was not done. Laymen do not know whether the degree of verification stated in the certificate or comments is sufficient. Audit reports and unpublished statements should be as understandable to the public as possible."

The "yes" answers of credit men, as well as being greater in number than the treasurers', were usually more specific. "Too many companies," said one, "have their assets and liabilities certified and the impression is very often that a complete audit has been made." Another: "Yes. Most creditors including ourselves generally receive only the balance sheet and rarely receive a copy of the auditor's certificate. As a result, pertinent information is not revealed."

Of the negative replies of the mercantile credit men one went beyond the common worry that the balance sheet might become "cumbersome" or "confusing," to suggest that "the accounting profession should endeavor to be in agreement as to what vital or basic items should be verified in a balance sheet, and if not allowed to do so by the client, it should be so stated in the balance sheet."

A very large number of the accountants answered this question with

middle-of-the-road comments. Twenty-seven, for example, wrote replies similar to these: "Yes, so far as it is practicable; but balance sheets must not become cumbersome or too voluminous." "Yes, but rather difficult under certain circumstances." Practising accountants appear to agree in theory with the desirability of the innovation but question its practicability. Other accountants were on the negative side believing that the balance sheet was really the property of the audited company and should not be touched. The only place the accountant could consider his bailiwick, they suggested, was the certificate.

?

Do you feel that the auditor should accept full responsibility for verification of inventory? If your answer is "no," do you think that the auditor should (A) rely solely upon the client's certificate? or (B) verify the physical existence, the correctness of quantities and prices, but not grades or condition?

	YES Per Cent
BANKERS	41
CORPORATION TREASURERS	21
MERCANTILE CREDIT MEN	39
ACCOUNTANTS	11

The majority of the bankers' replies to the first part of this question, whether the auditor should accept full responsibility for verification of inventory, were negative. But most of them

did feel that the auditor should not rely upon the client's certificate; rather, he "should make sufficient test checks to satisfy himself as to the existence of the inventories and as to valuation. The cost of complete check by the auditor would be prohibitive."

As a result of the McKesson & Robbins affair there seemed to be complete unanimity on the need for "verification of physical existence." About the feasibility of going beyond that, however, there was less confidence. "To a certain degree accountants should be capable of passing judgment on condition of inventory. In many lines they would probably not be capable of judging quality or grades."

The replies of the treasurers were similar to those of the bankers, reiterating that the auditor could not and should not accept full responsibility. "He should spot check for quantity and also for prices," or as another financial executive wrote, "Should make sufficient checks to be satisfied that client's certificate is trustworthy." This same viewpoint was expressed over and over again in dozens of different ways, only an occasional executive feeling that the accountant should also "make sufficient tests to check grades and condition of inventories."

The financial executives who replied in the affirmative pointed out that for the accountant to be responsible he would have to have representatives present when inventory was being

FUR FINISHING—PHOTO BY H. ARMSTRONG ROBERTS



taken and that this depended upon the client's willingness to pay the necessary fee. Only an occasional financial executive seemed to feel that the accountant should be responsible for verifying grades and conditions.

A heavy majority of the mercantile credit men also declared that the accountant should rely upon the client's certificate rather than accept full responsibility for verification of inventory, but nonetheless that they "should make spot checks on existence, quantities, and prices" or "should verify physical existence but not grades and condition."

Data for Credit Men

In what they hope to find in the balance sheet mercantile credit men are somewhat more radical than the bankers or company treasurers. Unlike the bankers, most credit men have available to them only condensed financial statements, often only the balance sheet, and rarely the full audit. As a result they have come to feel more than the bankers that the accountant should have more responsibility and do more of the work.

The problem of placing a value on the inventory is perhaps the accountant's most constant worry. In the balance sheet of a typical wholesale or retail distributor, with the exception of retailers selling largely on installment credit, inventory is the largest asset item. In a reasonable number of manu-

facturing lines it is also the largest asset item.

The tenor of most of the replies, of course, was that the auditor should not accept full responsibility for the verification of the inventory. "An auditor can never be an appraiser nor a guarantor." "The auditor is not an appraiser. He does not know the value of goods."

While accountant after accountant made the point that his profession could not act as an "insurer," another felt that he knew certain commodities fairly well but not others. "I can estimate piles of coal, lumber, furniture, merchandise, but chemicals, drugs, and certain similar items such as high grade tool steel, are beyond my knowledge. A black mixture in a bottle may be an expensive chemical or merely black paint, and if the bottle is sealed, can I require the client to open all, or even a portion of similar bottles? Tanks of water, with two inches of oil on top, will not be disclosed by dropping a measuring line into the tanks, for oil will cling to the weight. The auditor should accept responsibility for what he honestly can, and, if technical or other limitations prevent, state accordingly."

Another accountant mentions the same problems of chemicals and steel, but comes out with an affirmative reply that the auditor should positively accept full responsibility for the verification of inventories.

This answer was one of the few on

this side of the fence. "The verification of inventories or of any other kind of asset involves three questions. First, actual physical existence; second, the ability to use such physical assets within the normal period of one year; and third, the determination of the lower of cost or market value at a given date for that part of the now-fixed physical assets which it has been determined that the owner will normally use within the period of one year.

"To verify the existence of physical assets is to be able to inspect them in a common sense manner. Any inventory which the accountant can understand can be verified as to physical existence, by labels, other markings, and questions asked of employees of the owner with respect thereto at the time of examination. Where the accountant does not understand the inventory he should have the right to be supplied with a statement of physical quantity and of condition by someone so qualified. Such a statement from such a qualified person should in turn be referred to in the accountant's certificate." That was the policy adopted in the preparation of the auditor's reports as of December 31, 1939, on Schenley Distillers Corporation.

Certificates

Four interesting opinions on clients' certificates led progressively up to one which considered them worthless. The first two: "The auditor should not rely on client's certificate but obtain it." "The auditor obtains a client's certificate as to the inventory for the purpose of committing the client to its correctness. I am not aware of any reputable auditor, however, who relies solely upon such certificate." The third reply becomes a little more emphatic: "I do not regard the usual certificate obtained from a client of any particular value in connection with an audit and do not follow the practice of even mentioning it in the detailed audit report, although a certificate is invariably obtained." Finally: "No, a client's certificate is
(Continued on page 58)

TOY DESIGNING—PHOTO BY CHARLES PHELPS CUSHING



HOW EXPENSES *and* PROFITS VARY *with* RETAIL CREDIT POLICIES

COMPARISONS OF OPERATING RATIOS FOR TYPICAL RETAIL STORES
ACCORDING TO THE PROPORTION OF MERCHANDISE SOLD ON
CASH, CHARGE ACCOUNT, AND INSTALLMENT CREDIT TERMS

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IS THE EXTENSION of retail credit worth the retailer's cost and trouble? Does it yield any more volume or any more profit than a cash policy? In what ways do the operations of cash and credit stores differ?

The answers depend very largely, of course, upon the trade. At one extreme are restaurants, variety stores, and taverns and bars, where practically all the business is naturally and inevitably on a cash basis. At the other extreme, as in furniture and automobile retailing, are trades in which operation entirely on a cash basis would today be rated as a freak or a miracle.

Between these extremes lies a broad middle area where the choice between a cash or credit policy is either a matter of moral conviction or business strategy.

This discussion will dodge as completely and gracefully as possible the moral question of whether credit is good for the consumer or the country. The objective here is to observe the results of cash, charge account, and installment selling in retail trades as demonstrated by the results of the fifth DUN & BRADSTREET Survey of Retail Operating Costs. The survey is based upon the experience of more than

13,000 retailers, who co-operated by volunteering on the survey questionnaire form their 1939 operating statements.

In those trades where there is a genuine choice between cash and credit policies the survey suggests the following general conclusions: (1) the extension of credit is apparently an influence in increasing sales volume, since the sales volume of credit stores almost invariably average more per store than do the sales volumes of cash stores in the same trade; (2) credit selling usually entails a larger operating expense than a cash policy; but appar-

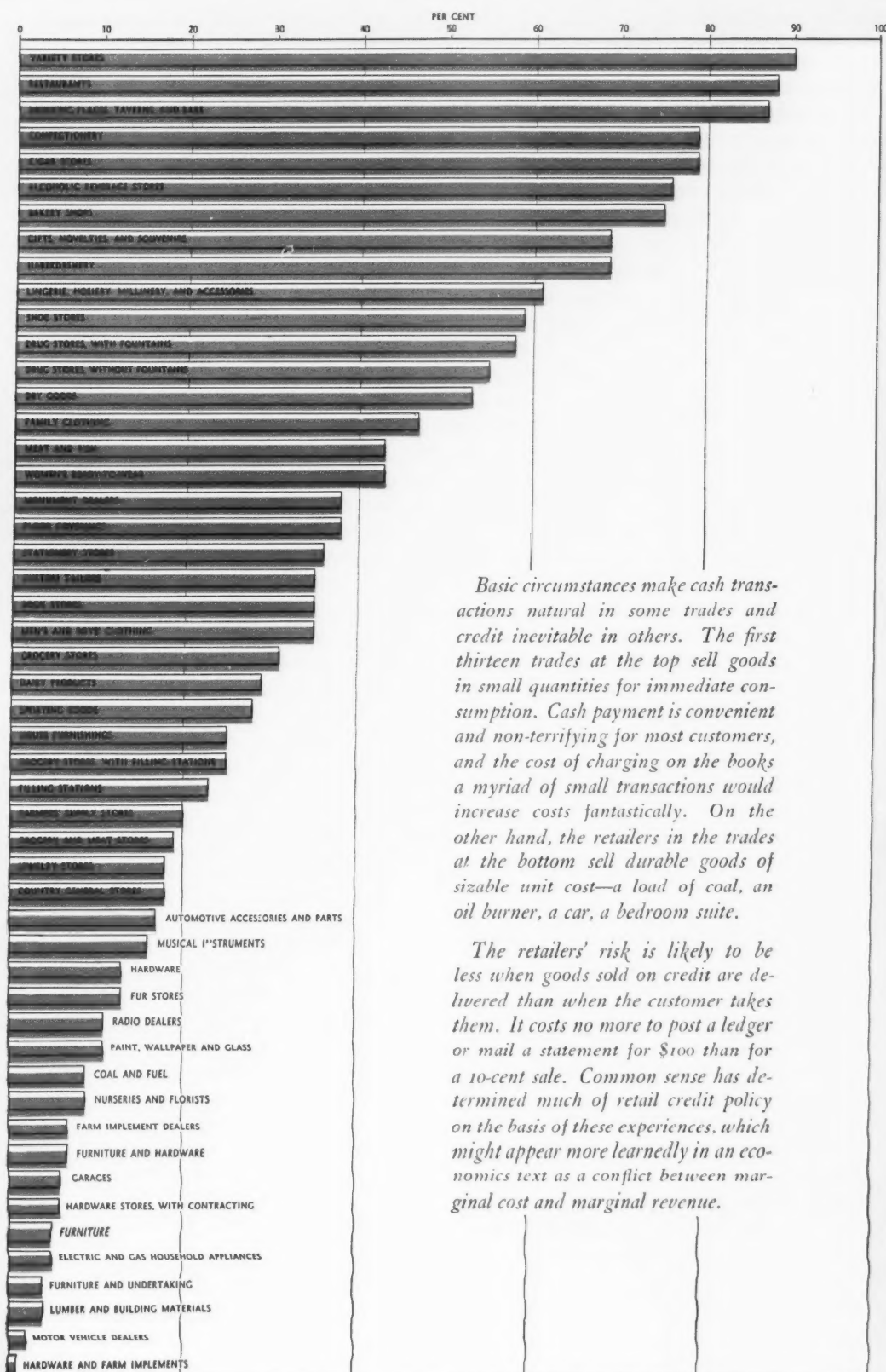
I. CASH AND OPEN CREDIT SELLING IN 52 RETAIL TRADES, 1939

TRADE (in order of proportion of cash stores)	STORES EXTENDING OPEN CREDIT			TRADE (in order of proportion of cash stores)	STORES EXTENDING OPEN CREDIT		
	CASH STORES† Per Cent of Concerns	Per Cent of Concerns	Credit Volume Per Cent of Sales		CASH STORES† Per Cent of Concerns	Per Cent of Concerns	Credit Volume Per Cent of Sales
Variety Stores	90	10	95	House Furnishings	25	61*	50
Restaurants	88	12	25	Grocery Stores, with Filling Stations	25	75*	40
Drinking Places, Taverns, and Bars	87	13	25	Filling Stations	23	76*	35
Confectionery	79	21	32	Farmers' Supply Stores	20	76*	40
Cigar Stores	79	21	34	Grocery and Meat Stores	19	81	60
Alcoholic Beverage Stores	76	24	50	Jewelry Stores	18	65*	25
Bakery Shops	75	25	50	Country General Stores	18	82*	48
Gifts, Novelties, and Souvenirs	69	31	32	Automotive Accessories and Parts	17	70*	50
Haberdashery	69	31	43	Musical Instruments	16	60*	15
Lingerie, Hosiery, Millinery, and Accessories	61	39	41	Fur Stores	13	71*	53
Shoes	59	41	32	Hardware	13	86*	40
Drug Stores, with Fountains	58	42	25	Paint, Wallpaper, and Glass	12	88	70
Drug Stores, without Fountains	55	45	25	Radio Dealers	11	67*	22
Dry Goods	53	47	30	Coal and Other Fuel	9	90*	60
Family Clothing	47	48*	35	Nurseries and Florists	9	91*	65
Meat and Fish	43	57	40	Farm Implement Dealers	7	90*	30
Women's Ready-to-Wear	43	57	40	Furniture and Hardware	7	88*	37
Monument Dealers	38	50*	30	Hardware Stores, with Contracting Garages	6	94*	50
Floor Coverings	38	62*	67	Furniture	5	91*	30
Stationery Stores	36	64*	40	Electric and Gas Household Ap- pliances	5	80*	25
Custom Tailors	35	65	50	Furniture and Undertaking	4	91*	44
Book Stores	35	65	60	Lumber and Building Materials	4	95*	80
Men's and Boys' Clothing	34	49	33	Motor Vehicle Dealers	2	93*	20
Grocery Stores	31	69	54	Hardware and Farm Implements	1	96*	40
Dairy Products	29	71	70	Office Equipment and Supplies .....	..	95*	45
Sporting Goods	28	70*	45				

† Ninety per cent or more for cash. * A substantial proportion of concerns in these trades also report installment sales. See table II.

I. PROPORTION OF CASH STORES IN 52 RETAIL TRADES, 1939

(Per cent of stores whose sales are 90 per cent or more for cash; data from table I)



Basic circumstances make cash transactions natural in some trades and credit inevitable in others. The first thirteen trades at the top sell goods in small quantities for immediate consumption. Cash payment is convenient and non-terrifying for most customers, and the cost of charging on the books a myriad of small transactions would increase costs fantastically. On the other hand, the retailers in the trades at the bottom sell durable goods of sizable unit cost—a load of coal, an oil burner, a car, a bedroom suite.

The retailers' risk is likely to be less when goods sold on credit are delivered than when the customer takes them. It costs no more to post a ledger or mail a statement for \$100 than for a 10-cent sale. Common sense has determined much of retail credit policy on the basis of these experiences, which might appear more learnedly in an economics text as a conflict between marginal cost and marginal revenue.

ently the consumer is commonly just as willing to bear the major part of this extra cost, reflected in the wider gross margin of the credit store; (3) even though the typical credit store earns a lower rate of profit on sales than does the cash store in most of the trades analyzed here, the dollar return to the owner of the credit store is generally larger because his sales volume is greater.

Cash and Credit

Basic circumstances make cash transactions natural in some trades and credit inevitable in others. The first thirteen trades in table I sell goods in small quantities for immediate consumption. Cash payment is convenient and non-terrifying for most customers, and the cost of charging on the books a myriad of small transactions would increase costs fantastically. On the other hand, retailers in the ten trades at the bottom of the table sell durable goods of sizable unit cost—a load of coal, an oil burner, an automobile, a bedroom suite.

The retailers' risk is likely to be less when goods sold on credit are delivered than when the customer takes them. It costs no more to post a ledger or mail a statement for a \$100 than for a 10-cent sale. Common sense has determined much of retail credit policy on the basis of these experiences, which might appear more learnedly in an economics text as a conflict between marginal cost and marginal revenue.

The prevalence or absence of strictly cash stores in any trade cannot tell the whole story about prevailing credit policies. For example, more than 90 per cent of automobile dealers report some charge account business, but ordinarily it amounts only to about 20 per cent of their sales volume. On the other hand, although only 25 per cent of retail bakers have charge customers,

II. INSTALLMENT SELLING IN 29 RETAIL TRADES, 1939

TRADE (in order of proportion of stores extending installment credit)	Stores Extending Installment Credit	Typical Part of Volume Sold on Installment Credit
	Per Cent of Stores	Per Cent of Sales
Motor Vehicle Dealers.....	86	49
Radio Dealers.....	81	47
Electric and Gas Household Appliances.....	80	55
Furniture.....	79	67
Farm Implement Dealers.....	72	34
Musical Instruments.....	72	70
Office Equipment.....	68	27
Furniture and Hardware.....	67	25
Hardware and Farm Implements.....	63	20
Furniture and Undertaking.....	62	3
Jewelry Stores.....	54	30
Automotive Accessories and Parts.....	50	25
Fur Stores.....	50	24
Monument Dealers.....	41	14
House Furnishings.....	39	70
Hardware.....	35	10
Garages.....	34	10
Hardware, with Contracting.....	33	50
Lumber and Building Materials.....	30	10
Filling Stations.....	21	10
Sporting Goods.....	19	13
Floor Coverings.....	19	10
Coal and Other Fuel.....	19	10
Stationery Stores.....	17	10
Grocery Stores, with Filling Stations.....	11	10
Country General Stores.....	11	10
Family Clothing.....	10	80
Farmers' Supply Stores.....	10	10
Nurseries and Florists.....	10	10

credit sales typically account for one-half of their volume.

In any study of the survey figures it must be remembered that each store is classified according to its major line of business. Throughout the retail world are stores carrying unusual and even fantastic combinations of merchandise. Ten per cent of the variety stores, for example, report charge account business, in a trade where a cash policy would seem to be the only one possible. These few stores, however, do almost all of their business on credit, which suggests that they carry a higher priced line of goods than the ordinary variety store, or some kinds of goods completely outside the usual variety line. Similarly, two automobile dealers out of a hundred report that they do a cash business. They may conceivably serve industrial customers, or deal

solely in used cars, or they may have considered all sales "cash" merely because a finance company discounted the installment notes on the spot.

Among 52 trades are 29 in which installment selling is frequent enough to be significant (table II). If a substantial majority of the merchants in a trade find installment selling safe and effective, they generally sell the major part of their volume on that basis. On the other hand, in those trades where but a fraction of the merchandise is adapted to installment selling less than one in five concerns offers installment terms. Installment sales typically amount to about 10 per cent of sales in even this minority of stores, in such retail lines as floor coverings, coal (perhaps sales of stokers or oil burners), country general stores, and nurseries. The outstanding exception is the small minority of family clothing stores which typically sell about 80 per cent of their volume on that basis. In a

number of trades (approximately the middle ground in table I) it is within reason and custom to pursue either a cash or a credit policy. Within each trade stores have been grouped according to broad classifications of credit policy, and operating ratios have been computed separately for each group (table III). A similar analysis (table VI) has been made of three durable consumer goods trades where installment selling is a general practice.

Medium-Sized

Special note should be taken that a large majority of the retailers participating in the survey are medium-sized stores, with only a few of the very large enterprises in each trade and only a scattering of those living skeletons of retailing where the owner alone barely ekes out a living. The profit figures shown in the tables, both percentages

and dollars, are net after deducting a reasonable and usual owner's salary.

Not only does the typical open credit retailer sell a larger volume at a wider margin to cover a heavier expense, but he is about as likely to turn over his inventory more slowly as he is to turn it faster than the cash store (table III). Moreover, his ratio of profits to sales is likely to be lower than that in the cash store.

This apparent profit handicap of the credit store, however, is generally equalized and often overcome by the larger sales volume from which the credit operator draws his profit percentage. Measured in dollars, the profits obtained by owners of open

credit and installment stores exceeded those of cash stores in fifteen of seventeen trades. These estimated typical profits of cash, open credit, and installment stores in the seventeen trades have been calculated by applying the typical profit ratio to each group of stores to their typical sales volume. In addition to the sales volume advantage, the typical credit store has the advantage of a higher profit ratio in seven of the seventeen trades.

Careful study of the percentages of sales recorded as bad debt losses leads to some conclusions not evident at first glance—specifically to some impressive, though indirect, testimony in favor of careful examination of consumer credit

risks by retailers. To report here average bad debt loss figures for cash stores seems absurd. Many merchants reporting 100 per cent cash business have no bad debt losses, but others apparently have cashed a few rubber checks or accepted them in payment. In addition, "cash stores" in this survey include any whose credit sales were less than 10 per cent, and these stores generally suffer at least a few bad debt losses.

The merchants who cashed checks or charged goods for a few relatives, friends, and old customers, seem to have sustained a far higher rate of loss on these few risks than did the retailers who made a practice of granting credit and investigated risks in a more

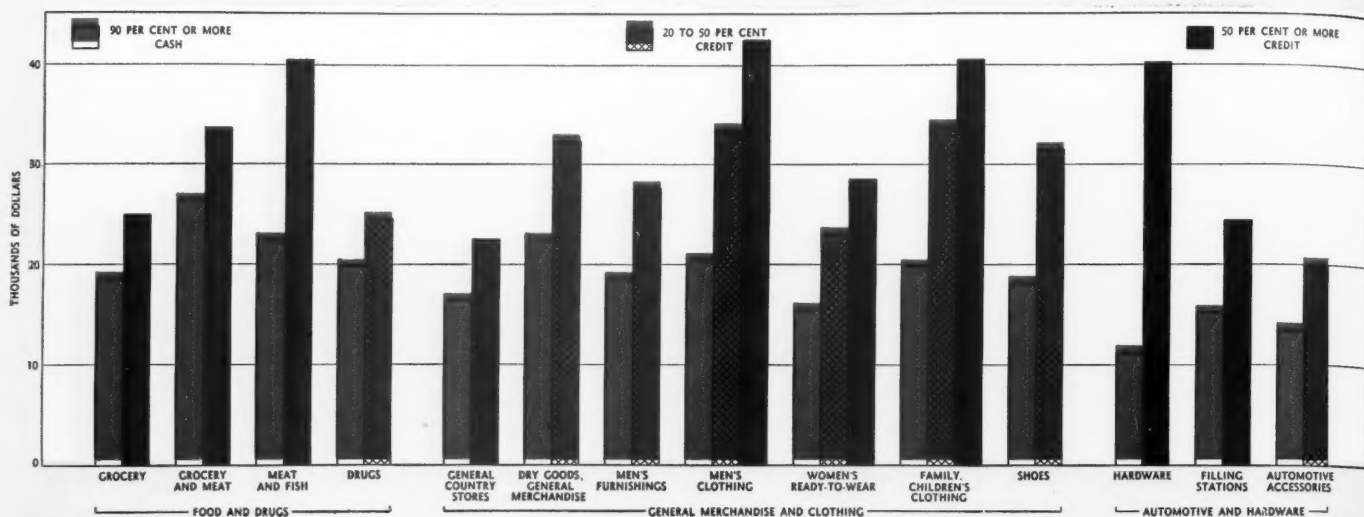
III. CASH AND OPEN CREDIT STORE OPERATING RATIOS COMPARED FOR SELECTED RETAIL TRADES, 1939

Typical (median) sales volumes and ratios

TRADE AND CREDIT POLICIES	Number of Stores	Size of Concern Annual Sales, Dollars	Gross Margin Per Cent of Sales	Total Expense Per Cent of Sales	Profit Per Cent of Sales	Estimated Annual Profit Dollars	Bad Debts Per Cent of Sales	Inventory Turnover Times Per Year
GROCERY STORES								
Cash Sales 90 Per Cent or More.....	80	18,600	16.6	15.2	1.4	260	0.1	9.8
Credit Sales 50 Per Cent or More.....	114	24,900	18.9	17.1	1.8	448	0.7	10.1
GROCERY AND MEAT STORES								
Cash Sales 90 Per Cent or More.....	173	26,300	18.5	16.3	2.2	579	0.3	12.6
Credit Sales 50 Per Cent or More.....	506	33,600	19.8	17.8	2.0	672	0.5	13.8
MEAT AND FISH STORES								
Cash Sales 90 Per Cent or More.....	54	22,300	22.9	22.1	0.8	178	0.2	55.5
Credit Sales 50 Per Cent or More.....	34	40,450	23.7	21.8	1.9	769	0.3	40.8
DRUG STORES								
Cash Sales 90 Per Cent or More.....	307	19,900	30.1	27.9	2.2	438	0.2	3.2
Credit Sales 20 to 50 Per Cent.....	143	24,600	31.6	29.2	2.4	590	0.5	2.8
COUNTRY GENERAL STORES								
Cash Sales 90 Per Cent or More.....	178	16,400	18.0	15.1	2.9	476	0.6	3.5
Credit Sales 50 Per Cent or More.....	393	22,300	18.2	15.8	2.4	535	1.0	4.5
DRY GOODS AND GENERAL MERCHANDISE								
Cash Sales 90 Per Cent or More.....	251	22,300	28.1	23.8	4.3	959	0.3	2.0
Credit Sales 20 to 50 Per Cent.....	147	32,200	27.6	26.3	1.3	419	0.4	1.8
MEN'S FURNISHINGS								
Cash Sales 90 Per Cent or More.....	45	18,600	34.4	33.7	0.7	130	0.4	1.9
Credit Sales 20 Per Cent or More.....	18	27,650	34.4	31.1	3.3	912	0.6	1.7
MEN'S CLOTHING								
Cash Sales 90 Per Cent or More.....	99	20,400	30.9	26.6	4.3	877	0.3	1.9
Credit Sales 20 to 50 Per Cent.....	95	33,400	32.2	28.6	3.6	1,202	0.6	1.7
Credit Sales 50 Per Cent or More.....	63	42,600	33.9	30.9	3.0	1,278	0.6	2.2
WOMEN'S READY-TO-WEAR								
Cash Sales 90 Per Cent or More.....	122	15,500	31.6	27.5	4.1	636	0.4	3.8
Credit Sales 20 to 50 Per Cent.....	78	23,000	28.6	27.1	1.5	345	0.4	3.5
Credit Sales 50 Per Cent or More.....	72	28,450	31.6	32.4	0.8(L)	228(L)	0.4	4.0
FAMILY CLOTHING AND CHILDREN'S SHOPS								
Cash Sales 90 Per Cent or More.....	127	19,900	29.6	25.3	4.3	856	0.3	1.9
Credit Sales 20 to 50 Per Cent.....	80	33,850	30.2	26.8	3.4	1,151	0.6	1.9
Credit Sales 50 Per Cent or More.....	38	40,500	31.5	28.6	2.9	1,175	1.1	2.0
SHOE STORES								
Cash Sales 90 Per Cent or More.....	154	18,050	32.4	30.2	2.2	397	0.2	1.9
Credit Sales 20 to 50 Per Cent.....	70	31,350	33.6	30.7	2.9	909	0.4	1.8
HARDWARE STORES								
Cash Sales 90 Per Cent or More.....	62	11,050	28.9	25.9	3.0	332	0.5	1.8
Credit Sales 50 Per Cent or More.....	154	40,100	28.8	26.6	2.2	882	1.0	1.8
FILLING STATIONS								
Cash Sales 90 Per Cent or More.....	251	15,100	23.6	21.9	1.7	257	0.3	19.6
Credit Sales 50 Per Cent or More.....	221	24,400	25.9	24.2	1.7	415	0.8	12.3
AUTOMOTIVE ACCESSORIES AND PARTS								
Cash Sales 90 Per Cent or More.....	40	13,450	32.8	26.2	6.6	888	0.5	2.2
Credit Sales 20 to 50 Per Cent.....	57	20,000	37.8	32.1	5.7	1,140	1.2	2.8

II. SIZE OF STORE ACCORDING TO CREDIT POLICY IN 14 RETAIL TRADES

(Annual sales in dollars, data from table III)



systematic manner. Country general stores in the cash group, for example, report a typical loss of 60 cents for each \$100 of sales. However, since less than one dollar of income in every ten represented an open credit sale, the loss on the credit portion of the business averaged about \$7 per hundred.

On the other hand, a country gen-

eral store selling half of its volume on credit (the minimum needed to qualify for the survey's credit group) with a bad debt loss of 1 per cent of total sales, would be losing only 2 per cent on its credit volume. The record seems to affirm the credit man's maxim that a merchant should make a business of credit or keep clear of it entirely. In

Without a single exception in these fourteen retail trades, the more business done on credit the larger the sales volume (above); a parallel between increased credit volume and large gross margins appeared (bottom next page) in ten of the fourteen trades.

IV. SUMMARY OF DIFFERENCES BETWEEN CASH AND CREDIT OPERATION IN SELECTED RETAIL TRADES, 1939

Comparisons of typical (median) sales volumes and operating ratios in table III

NUMBER OF TRADES IN WHICH:	Size of Concern	Gross Margin	Total Expense	Profit as Percentage of Sales	Profit in Dollars	Bad Debts	Inventory Turnover
FOUR FOOD AND DRUG TRADES							
Credit Store Ratio is Greater.	4	4	3	3	4	4	2
Cash Store Ratio is Greater.	..	..	1	1	..	..	2
Ratios are Equal.	..	..	..	..	..	..	..
SEVEN GENERAL MERCHANDISE, DRY GOODS, AND CLOTHING TRADES							
Credit Store Ratio is Greater.	7	4	6	2	5	6	4
Cash Store Ratio is Greater.	..	1	1	5	2	..	3
Ratios are Equal.	..	2	..	..	..	1	..
THREE AUTOMOTIVE AND HARDWARE TRADES							
Credit Store Ratio is Greater.	3	2	3	..	3	3	1
Cash Store Ratio is Greater.	..	1	..	2	..	..	1
Ratios are Equal.	..	..	..	1	..	..	1
ALL FOURTEEN TRADES							
Credit Store Ratio is Greater.	14	10	12	5	12	13	7
Cash Store Ratio is Greater.	..	2	2	8	2	..	6
Ratios are Equal.	..	2	..	1	..	1	1

V. DIFFERENCES BETWEEN CASH AND CREDIT STORES IN TOTAL EXPENSE AND BAD DEBT LOSS, 1939

TRADE	Credit Stores— Total Expense Excess	
	Per Cent of Sales	Per Cent of Sales
Grocery Stores	+1.9	+0.6
Grocery and Meat Stores	+1.5	+0.2
Meat and Fish Stores	—0.3	+0.1
Drug Stores	+1.3	+0.3
Country General Stores	+0.7	+0.4
Dry Goods and General Merchandise	+2.5	+0.1
Men's Furnishings	—2.6	+0.2
Men's and Boys' Clothing	+4.3	+0.3
Women's Ready-to-Wear	+4.9	0.0
Family Clothing and Children's Wear	+3.3	+0.8
Shoe Stores	+0.5	+0.2
Hardware Stores	+0.7	+0.5
Filling Stations	+2.3	+0.5
Automotive Accessories and Parts	+5.9	+0.7
AVERAGE (Arithmetic)	+2.13	+0.35

VI. OPERATING RATIOS IN SELECTED RETAIL TRADES OFFERING INSTALLMENT CREDIT, 1939

Typical (median) sales volumes and ratios

TRADE AND CREDIT POLICIES	Number of Stores	Size of Concern Annual Sales, Dollars	Gross Margin Per Cent of Sales	Total Expense Per Cent of Sales	Profit Per Cent of Sales	Estimated Annual Profit Dollars	Bad Debts Per Cent of Sales	Inventory Turnover Times Per Year
FURNITURE STORES								
No Installment Sales.....	83	23,500	36.8	32.7	4.1	964	0.8	2.7
Installment Sales 50 to 80 Per Cent...	129	40,000	38.6	33.5	5.1	2,040	0.9	2.9
Installment Sales 80 Per Cent or More.	119	56,100	42.7	36.4	6.3	3,534	1.4	2.9
ELECTRIC AND GAS HOUSEHOLD APPLIANCES								
Open Credit 50 Per Cent or More....	75	26,300	39.4	39.4	0.0	..	0.4	4.2
Installment Sales 50 Per Cent or More.	173	29,800	34.0	31.6	2.4	715	0.6	5.4
JEWELRY STORES								
Cash Sales 90 Per Cent or More.....	49	11,600	50.6	43.7	6.9	800	0.3	1.1
Open Credit 50 Per Cent or More....	36	19,150	47.2	43.2	4.0	766	0.8	1.0
Installment Sales 50 Per Cent or More.	47	30,800	50.6	44.6	6.0	1,848	2.6	1.5

a number of other trades the typical credit store reported a bad debt loss only twice as large as that of a "cash store," but a proportion of credit sales from three to eight times as large.

Expense Contrasts

In most trades the expense totals of credit granting stores exceed the expense totals of stores doing the greatest part of their business on cash terms. Bad debt losses of the credit stores are also uniformly higher, but average only about one-fourth of the larger expense totals of credit stores (table V): A part

of the remaining difference in expense probably represents the cost of credit investigation, bookkeeping, and collecting. Among the fourteen trades analyzed, the expenses of stores which sell on charge accounts are about two cents more for each dollar of sales than the expenses of cash stores, but the bad debt loss is only about six-tenths of a cent and exceeds the bad debt loss of cash stores by only three-tenths of a cent.

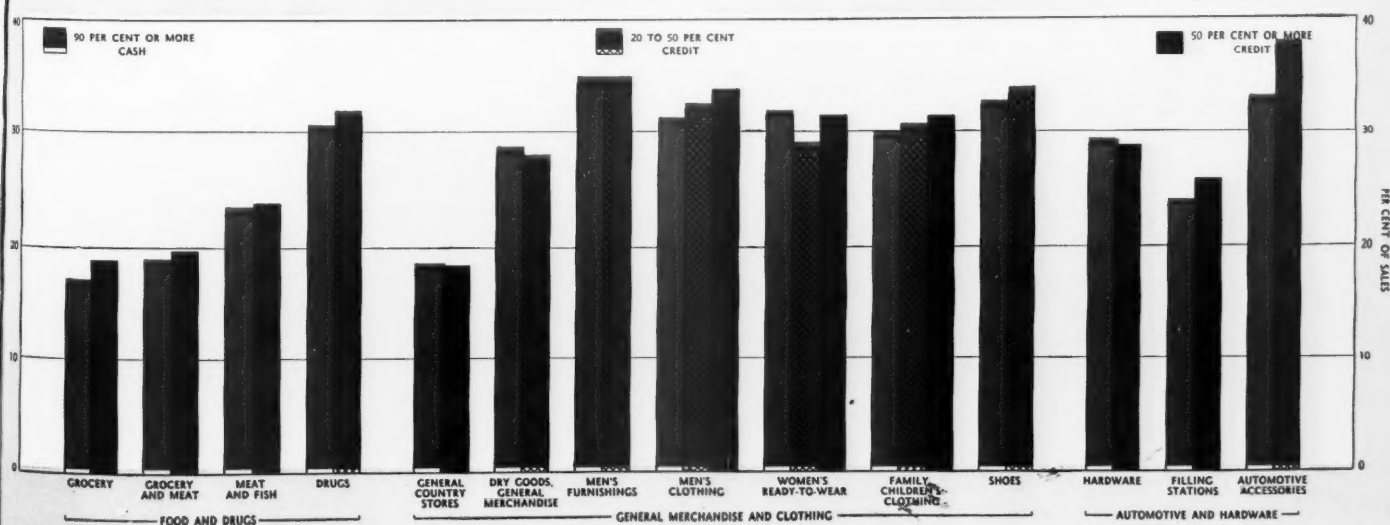
While such conclusions might not be supported by the operating ratios of any single trade, the consistent differ-

ences between cash and credit groups (tables III and IV) accumulate force and plausibility that cannot be ignored. They throw some light on the retailer's cost of extending credit, a subject much discussed but hard to measure. Aside from the department stores and a few large stores in other trades, cost accounting has not been refined to a degree which would bring out this evidence; the limited practical use for such information in a small store would rarely justify the extra bookkeeping.

The accuracy of the survey findings seems confirmed by a tabulation of

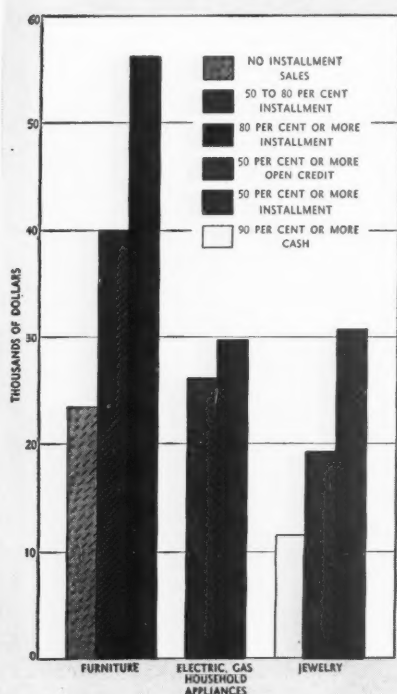
III. SIZE OF GROSS MARGIN ACCORDING TO CREDIT POLICY IN 14 RETAIL TRADES

(Per cent of sales, data from table III)



IV. SIZE OF STORE ACCORDING TO CREDIT POLICY IN 3 TRADES OFFERING INSTALLMENT TERMS

(Annual sales in dollars, data from table VI)



exactly the same type of data from a similar survey in 1937.¹ Comparison of a summary of the 1937 data with the 1940 summary (table IV) demonstrates a remarkable similarity in the two pictures taken three years apart. Behind each of these summaries lies the analysis of thousands of stores, and by no means exactly the same stores in the two surveys.

Among the four food and drug trades analyzed, the meat and fish stores' results differ most markedly from those for the whole group. Whereas credit stores are about one-fourth larger than cash stores in the other three groups, credit meat markets have an average sales volume

¹ A Mimeographed copy of the complete 1937 tabulation (comparable with table III) and a copy of a summary of this tabulation (comparable with table IV) will gladly be supplied to any reader free upon request.

about twice as large as the cash stores' and, in addition, report twice as great a typical rate of profit. Contrary to the usual rule, these larger credit meat markets report a lower expense ratio than the cash markets, suggesting that operating economies in the larger store more than offset the added cost of credit extension. It may also be assumed that credit markets handle a larger proportion of canned goods, dry groceries, or other items less perishable than fresh meats and fish, since their inventory commonly turns over at a perceptibly slower rate. These contrasts are apparently no freak of the current survey since approximately the same differences appeared in the survey undertaken in 1937.

In the dry goods and clothing trades especially the survey pictures primarily the family life of the great middle class of retailers, rather than the department stores, large metropolitan women's stores, or the small one-

man shops. The assortment of credit policies in the clothing trades has led to a special type of analysis. The usual contrast, between "cash stores" and those selling more than half of their volume on credit, is supplemented by an analysis of a more common type of credit operation, ranging from 20 to 50 per cent of credit sales. In three trades—men's and boys' clothing, women's ready-to-wear, and family clothing—the more

In the three trades whose annual sales volume and gross margin are here charted according to their members' credit policy, installment selling is clearly associated with stores having larger annual sales (upper left); but there is no simple relationship between credit policy and gross margin (right).

credit, the bigger was the volume. Stores selling more than half their volume on credit were typically twice as large as the "cash stores" (table III).

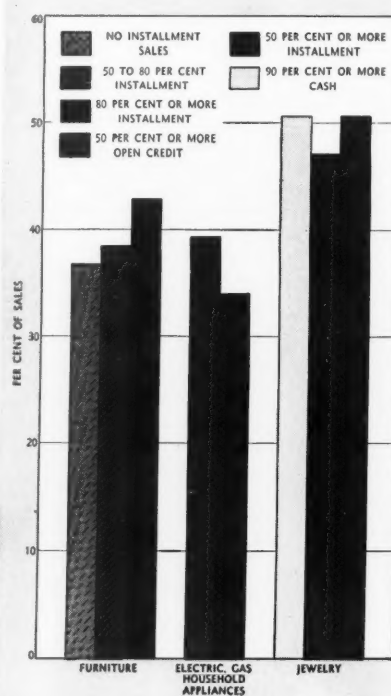
However, this is not the whole story. In all three trades the rate of net profit on sales decreased with the expansion of credit, and in the women's ready-to-wear trade the typical independent store extending credit lost money. The loss was reflected in considerably higher operating costs and a failure to gain any wider margin than the cash store operators. Without more detailed data it is impossible to do more than guess the reason, but we know that the returned goods problem is always with a store that caters to feminine foibles.

The typical inventory turnover figure in both the men's and women's cloth-

(Continued on page 56)

V. SIZE OF GROSS MARGIN ACCORDING TO CREDIT POLICY IN 3 TRADES OFFERING INSTALLMENT TERMS

(Per cent of sales, data from table VI)





TRAININGS GO UP FOR TRAINEES AT OLD FORT DIX, N. J.—ACME PHOTO

BUSINESS DIARY

September - 1940						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

EVENT OF THE MONTH

Selective Service Training Act provides a year of army training for men from 21 to 35; empowers President to take plants not co-operating on defense.

- 3 PRESIDENT ROOSEVELT announces he has swapped 50 old destroyers with Great Britain for leases on eight naval bases from Canada to the Bahamas. . . . ICC sets a higher minimum rate for motor truck carriers in trunk line railroad territory from New York to North Carolina. . . . Liquor price war in New York City.
- 4 CANADA forbids manufacture of aluminum cooking utensils.
- 8 SWEDEN enters \$24,000,000 trade agreement with Russia.
- 9 PRESIDENT signs \$5,246,000,000 Supplemental Defense Bill.
- 10 SWEDISH trade agreements with Holland and Belgium provide that all clearing be handled through Berlin.
- AT KENVIL, New Jersey, explosions followed by fire destroy most of country's second largest smokeless powder plant. Fordham's seismograph notes an underground explosion one hour and twenty minutes ahead of main blast. . . . German Army of Occupation is costing France about 400,000,000 francs a day.
- 12
- 13 MATERIALS and formulae for aircraft and aircraft gasoline subjected to export licensing. . . . Twelve basic policies in letting defense contracts include decentralization, moral responsibility, financial rating, adequate transportation.
- 16 ROOSEVELT signs Selective Service Training Act. All men 21 to 35 must register on October 16 for one year's training. Section 9 empowers President to take possession of any plant which refuses to furnish or give preference to products required for national defense. . . . 60,500 National Guardsmen begin mobilization for year's training.

DURING THE MONTH

Germany moves to make Berlin clearing center of Europe for trade balances. . . . Japan, Italy, Reich sign alliance. . . . England holds despite bombings.

- 19 ARGENTINA stops all future imports from United States.
- 22 JAPANESE troops cross Indo-China border.
- PRESIDENT calls out an additional 35,700 National Guardsmen for year of army training. . . . Export-Import Bank lends \$25,000,000 to Chinese Government against future delivery of tungsten worth \$30,000,000. . . . Federal Trade Commission charges that Eastman Kodak Company by means of price fixing and maintenance contracts on Kodachrome and magazine film deprives purchasers of price advantages which would result from free competition.
- 25
- ALL scrap iron and steel exports not destined for Western Hemisphere or Great Britain are subject to licensing after October 15. . . . Argentina allows importation of American products. . . . United States lends Brazil \$20,000,000 to establish a steel industry. . . . Export-Import Bank allowed \$500,000,000 extra capital for strategic loans to Latin-American nations. . . . Method for removing wood from flax fiber perfected.
- 26
- GERMANY, Italy, Japan sign military alliance pledging mutual aid if attacked by any power not already involved in their wars.
- 27
- ALTHOUGH cash wheat prices are well above the Government loan level, farmers are not selling. . . . Department of Justice sues American Petroleum Institute and 22 oil companies, charging monopolistic control of crude oil and maintenance of fixed prices which restricted or eliminated competition, depriving consumers of benefits resulting from decreased costs due to technological improvements.
- 30



NEW JERSEY SHORE; MANHATTAN SKYLINE IN BACKGROUND—PHOTO BY CHARLES PHELPS CUSHING

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

Buyers are proceeding with increased confidence. Forward covering shows expansion as delivery difficulties are encountered in more lines. Price trends are upward. The level of production now compares with the all-time peak of December 1937 and income is flowing into consumers' hands at the best rate since 1930.

BUSINESS has recovered so rapidly and so completely from the early 1940 recession that production has already reached the ceiling of December 1939. Preliminary reports for October indicate that the volume of manufacturers' output is just about the greatest on record, that consumers' income is the largest in a decade, and consumers' purchasing close to the highs of 1937.

In this picture of broadening prosperity, Government spending for the armed forces is playing an increasingly important rôle. With few exceptions, the sharpest increases in activity are concentrated in those industries vitally concerned with defense. Defense expenditures according to the U. S. Treas-

ury report had mounted to \$219,000,000 by September, or double those of September a year ago, and these were far from reflecting the acceleration in actual order placing. Contracts placed are reported already to have approximated \$8,000,000,000.

With the enlarged Government buying, and related to it, there has developed a widening industrial and commercial demand for many types of goods. Late this Summer it became apparent that purchasing policies were gradually veering toward more extended future covering. The tendency seemed to gain force in September and early October, as calls for prompt delivery disclosed shortages in such lines as tools, metals, machinery, and textiles.

Steadily but quite slowly, prices have begun to rise, in some finished goods as well as in raw materials. Inventories also show an upward tendency, although increases generally still lag behind the expansion in turnover.

There remain certain peculiarities in the situation. Business confidence is sufficiently strong to prefer broader inventory coverage; commercial borrowing from banks is increasing rapidly and in mid-October was the heaviest since November 1937; a sharp pick-up in plant construction has carried engineering awards to a new high level. On the other hand, there is no commensurate improvement in security markets; the volume of new security issues is only mildly above a year ago when financing was extremely slow; share turnover remains relatively small despite the improvement in September; and stock price averages are still under last year's levels. Obviously business sentiment is not yet prepared to throw caution to the winds.

Industrial activity: Non-durable goods industries are doing a little better but durable industries still have the lion's share of the industrial prosperity. The FRB adjusted index of durable manufacturers never before had been so high as 144, the level it reached in September. At 113, the index for non-durable manufacturers was not quite up to its average for the last quarter of 1939 or for June 1940.

Just about every major durable goods industry made a better than seasonal showing in September and early October. The jump in automobile production was outstanding, as manufacturers accelerated new-model output from 12,000 units per week in mid-August to 115,000 in mid-October. No other leading industry could match this in rate of gain, but several others established exceptional records.

Copper consumption in September of 96,485 tons was the highest for any month for which figures are available. Steel production was at 92 per cent of capacity in September and at 94 per

cent in mid-October. The machine tool industry, which has increased capacity 40 per cent over a year ago, operated at 95 per cent of this enlarged capacity in September. In further reflection of the rush to rebuild capacity the September weekly average of engineering awards was the highest since March 1930; railroads purchased 9,470 freight cars, 57 locomotives, and 21 passenger cars; shipyards had under construction 335 vessels totalling approximately 1,600,000 tons.

In contrast, there were a number of lighter lines in which September production failed to meet seasonal expectations, according to the FRB indexes. Among these were cotton, rayon, paper-board, leather, and leather products. Silk and flour mills made slightly better than seasonal gains but still ran under the levels of a year ago.

Consumer income: Factory payrolls have been rising sharply since July and by September the flow of income from this source was the heaviest for any month since August 1937. Available estimates place farm income under seasonal expectations, and slightly below the dollar volume of a year ago. Nevertheless the rise in non-agricultural income has been sufficient to push the total of all payments into new high ground for the past four years.

Retail prices are also going up and compared with a year ago at this time the general level is already 3 per cent higher (Fairchild's index). So far however, the increase in total incomes has kept well ahead of the average rise in prices.

Consumer buying: The retail trade indexes which made an unusual jump in August have since quieted down to a level slightly under the August high. Because of statistical adjustments for seasonal variation, this reflects only a less rapid rate of increase and not a real diminution of the heavier flow of spending. At 99 in August and 97 in September, the adjustment index of department store sales held for two

Industrial Production

Federal Reserve Board Adjusted Index*
1935-1939 = 100

	1937	1938	1939	1940
January	116	86	102	122
February	117	84	101	116
March	120	84	101	112
April	120	82	97	111
May	121	80	97	114
June	119	81	102	121
July	120	86	104	121
August	120	90	104	121
September	115	92	113	125
October	107	95	121	
November	95	100	124	
December	87	100	126	

* Revised August 1940.

Factory Payrolls

U.S.B.L.S. Index
1923-1925 = 100

	1937	1938	1939	1940
January	94.6	75.3	83.7	98.3
February	100.1	77.5	86.0	97.8
March	105.9	77.6	87.6	98.2
April	109.7	74.9	85.5	96.3
May	110.1	73.2	85.0	96.3
June	107.6	71.1	86.5	97.9
July	105.2	71.1	84.4	96.5
August	108.7	77.3	89.7	103.8
September	104.9	81.6	93.8	
October	104.9	84.2	101.6	
November	93.3	84.4	101.6	
December	84.6	87.1	103.6	

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1937	1938	1939	1940
January	93	90	88	92
February	95	88	87	89
March	93	86	88	89
April	98	83	88	89
May	93	78	85	87
June	93	82	86	91
July	92	83	86	91
August	93	83	86	99
September	94	86	91	97
October	93	84	90	
November	91	80	95	
December	89	89	96	

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	July 1940	Aug. 1940	Sept. 1940	Oct. 1940
I	77.5	77.0	78.0	77.8
II	77.9	76.9	77.9	
III	77.6	77.2	77.7	
IV	77.3	77.2	77.7	
V		77.7		

Industrial Stock Prices

Dow-Jones Index (Weekly Average)

Week	July 1940	Aug. 1940	Sept. 1940	Oct. 1940
I	121.22	125.69	132.38	134.12
II	121.56	125.89	128.78	131.36
III	122.45	123.13	131.09	
IV	122.06	121.60	133.55	
V		127.18		

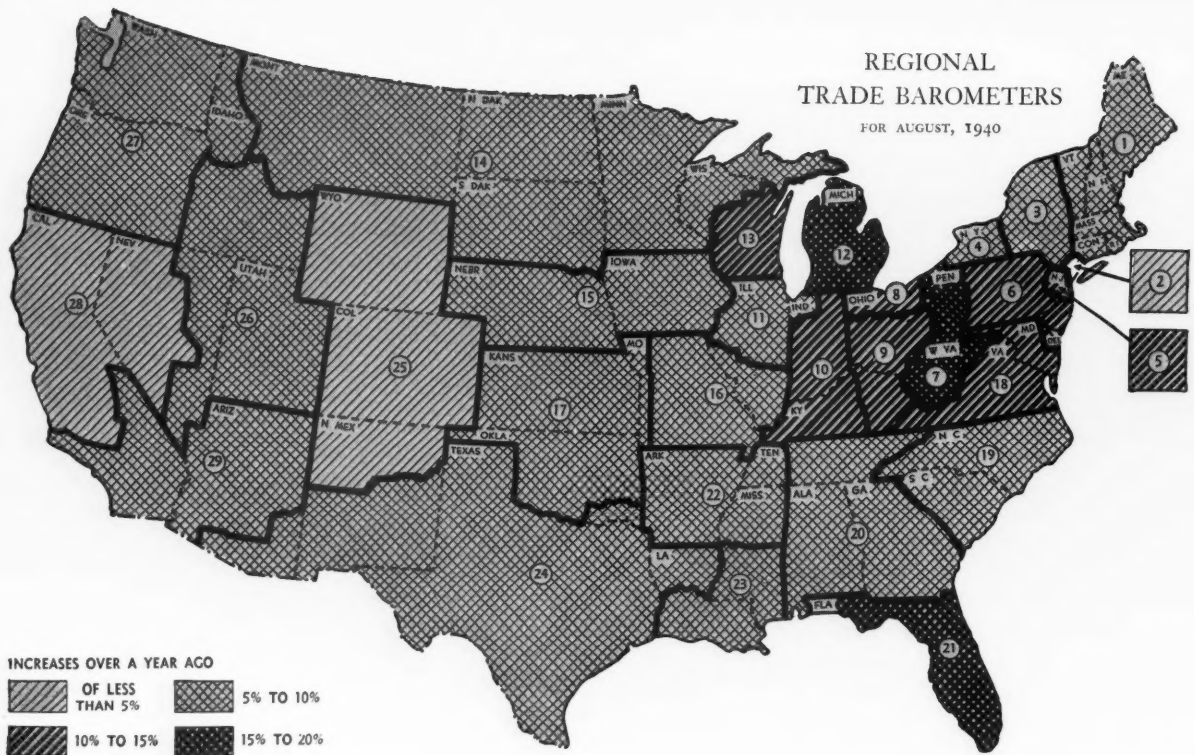
months at the best level in a decade.

Weekly estimates for the first half of October of the change in retail sales over a year ago show an increase of better than 6 per cent.

Foreign trade: Export totals continue to make a good showing, but the disparity in trend between agricultural and non-agricultural shipments grows ever wider. The value of exports of domestic agricultural products in August was 40 per cent less than in August a year ago. In contrast, exports of industrial products were the largest since October 1929. The U. S. Bureau of Agricultural Economics points out that so far industrial exports have represented a much larger proportion of total output than has production for defense.

Prices: Price trends, which are important not only in themselves but for the clues they give as to buying policies and buyer-seller psychology, have been pointing upward since August. The upward movement has been broken several times but at mid-October the all-inclusive USBLS commodity price index was better than a point above the August low and the Dow-Jones industrial stock price index for the third week of the month was almost 9 points higher.

Money and banking: Two measurements of the demand for funds showed an increase in September compared with one which declined. Capital flotations by corporations amounted to only \$130,471,000, or \$49,000,000 less than in August. But the ratio of individual account debits to bank demand deposits for 101 leading cities (the turnover of deposits) increased from 16.1 in August to 18.6 in September, a more than seasonal rise, and the volume of commercial, industrial, and agricultural loans expanded from \$4,446,000,000 at the start of August to \$4,672,000,000 for the second week of October, the largest total since the week of November 24, 1937.



TRADE INDEX HIGHEST SINCE MAY

The United States Trade Barometer rose to 91.3 (preliminary) in September from 90.6 in August. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by the branch offices of DUN & BRADSTREET, INC.

CONSUMER buying reports for early October indicated continued strength in the total volume of purchasing. No striking gains were noted in comparison with September, but totals remained above a year ago, when an upward trend was in evidence. Selling of seasonal items, particularly of heavy wearing apparel, was hampered somewhat by a rather prolonged spell of warm weather, but cooler days brought an upsurge in these departments. Otherwise distribution was of a fairly broad nature.

Increased industrial activity, with its accompaniment of rising employment and payrolls, continued to be a strong support to retail volume. Spot reports on retail store sales throughout the country indicated that volume in the third week of October was 3 to 7 per cent greater than a year ago. By large geographic regions, the Middle West and the South made the broadest advances over last year for the first three weeks of the month. The East, Pacific Coast,

and Southwest made more moderate gains, and New England's increase was comparatively small. Only in the Northwestern territory was volume below 1939 at any time during the month.

The seasonally adjusted United States Trade Barometer for September (preliminary), more inclusive than many other indexes of trade activity, indicated that consumer buying for the month was more than 90 per cent as high as the 1928-1932 average, 5 per cent above last September, and about 1 per cent above the August level. The unadjusted figure showed a gain of 15 per cent over August. According to this barometer, total consumer purchasing so far this year is greater than for any other year since 1930, with the exception of 1937.

Reports from the DUN & BRADSTREET branch offices reflected a generally more optimistic outlook among purchasers during September, evidenced by a larger sales

volume in "better" merchandise and by an increase in installment buying. The East, the South, the Middle West, and the Southwest made better than average gains on the whole, as purchasing power in these sections improved.

August figures now available for the twenty-nine regions show eighteen advances and eleven declines from the July position. The largest increases, 11.0 and 11.6 per cent, were registered in Iowa and Nebraska and in Florida, respectively; Milwaukee's gain was 8.3 per cent; all other increases were 5 per cent or less. The only decreases of more than 5 per cent were recorded in St. Louis, San Francisco, and Los Angeles trade areas—7.6, 7.3, and 7.1 per cent, respectively.

The most outstanding year-to-year increases were 18.3 per cent for the Pittsburgh region, 17.4 per cent for Detroit, 15.6 per cent for Florida, 13.9 per cent for Maryland and Virginia, 13.6 per cent for Cleveland, and 13.6 per cent for Indianapolis and Louisville. Other gains of more than 10 per cent were noted in Northern New Jersey, Philadelphia, and Milwaukee.

(Charts and trade reports for each region begin on next page)

THE MAP AND CHART compare the August, 1940, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1938, on pages 38-41. They are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for August based on samples of department and retail stores reporting to the Federal Reserve banks; for September and for the first half of October based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.



REGIONAL TRADE BAROMETERS

REGION	Aug. 1940 Regional Index	Aug. 1940 Compared with Aug. 1939 (%)					Retail 1935 Sales %
		-10	0	+10	+20	+30	
U. S.	90.6					+ 8.8	100.0
1. NEW ENGLAND	77.7					+ 9.7	7.8
2. NEW YORK CITY	73.8					+ 2.1	10.3
3. ALBANY AND SYRACUSE	91.4					+ 8.7	2.6
4. BUFFALO AND ROCHESTER	79.5					+ 6.0	1.9
5. NORTHERN NEW JERSEY	83.0					+10.1	2.9
6. PHILADELPHIA	86.3					+10.6	6.2
7. PITTSBURGH	91.2					+18.3	3.7
8. CLEVELAND	98.4					+14.4	2.9
9. CINCINNATI AND COLUMBUS	103.3					+12.0	3.1
10. INDIANAPOLIS AND LOUISVILLE	113.8					+13.6	2.6
11. CHICAGO	88.2					+ 5.6	6.4
12. DETROIT	93.7					+17.4	4.0
13. MILWAUKEE	97.7					+11.1	2.2
14. MINNEAPOLIS AND ST. PAUL	98.4					+ 8.5	4.5
15. IOWA AND NEBRASKA	84.5					+ 5.4	3.0
16. ST. LOUIS	92.9					+ 8.9	2.5
17. KANSAS CITY	93.2					+ 6.8	3.6
18. MARYLAND AND VIRGINIA	113.3					+13.9	3.8
19. NORTH AND SOUTH CAROLINA	111.6					+ 5.7	2.1
20. ATLANTA AND BIRMINGHAM	126.7					+ 9.5	3.5
21. FLORIDA	143.0					+15.6	1.3
22. MEMPHIS	105.0					+ 8.1	1.5
23. NEW ORLEANS	108.7					+ 6.6	1.0
24. TEXAS	118.6					+ 8.7	4.5
25. DENVER	104.1					+ 4.0	1.3
26. SALT LAKE CITY	99.6					+ 8.9	.8
27. PORTLAND AND SEATTLE	91.3					+ 7.9	2.7
28. SAN FRANCISCO	92.0					+ 3.6	3.4
29. LOS ANGELES	93.2					+ 8.4	3.9

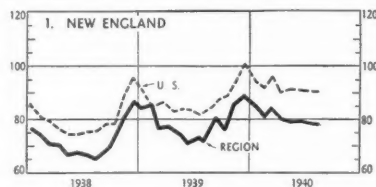
THE REGIONAL TRADE BAROMETERS

These indexes of consumer purchasing are corrected for seasonal variation; the monthly average for the five years 1928-1932 equals 100 (see preceding page). Charts showing the curves since January 1928, were published in the September

1939, number and will appear semi-annually. Additional information about the indexes and about their especial usefulness in regional sales quota work, back figures, and data about regional boundaries are available for users of the indexes.

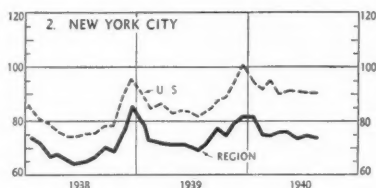
1. NEW ENGLAND

AUG., 77.7 JULY, 78.6 AUG. 1939, 70.8
AUGUST—Percentage department store sales increases over previous August: Boston 9, Providence 16, New Haven 28. SEPTEMBER—Percentage retail trade increases over previous September: Bangor-Portland 0, Manchester-Providence 5, Boston-New Bedford 8, Springfield 10, Worcester 2, Hartford-New Haven 20. Wholesale trade changes: Portland -10, Boston +5, Springfield +10. Tobacco crop heavy; quality inferior in some sections. Payrolls and production above last year. Plants operating on full time schedules in steel, machine tool, and other heavy industries. Shortage of skilled machinists and mechanics noted. Woolen mills very active. OCTOBER—Retail trade about 5% ahead of September. Industry still very active.



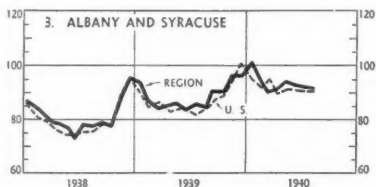
2. NEW YORK CITY

AUG., 73.8 JULY, 74.7 AUG. 1939, 72.3
AUGUST—Percentage department store sales increases over previous August: New York and Brooklyn 13, Bridgeport 28, Westchester-Stamford 7. SEPTEMBER—Percentage retail trade changes from previous September: Bridgeport +15, New York City department store sales +3, hotel sales -5, parcel deliveries 0. Dry goods jobbers reported generally favorable level of sales; increases were noted in medium priced dresses, sportswear, and knitted wear lines. Sales of men's clothing about on a par with last year. Manufacturers of electrical appliances recorded sales gain of 10 to 15% over last year. Hardware dealers registered a 7% rise in orders. Collections fair. OCTOBER—Retail sales picked up as cooler weather arrived.



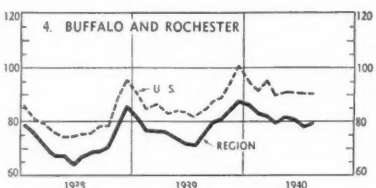
3. ALBANY AND SYRACUSE

AUG., 91.4 JULY, 92.2 AUG. 1939, 84.1
AUGUST—Percentage department store sales increases over previous August: Syracuse 26, Northern State 12, Central State 27. SEPTEMBER—Percentage retail trade increases over previous September: Albany-Binghamton 5, Utica 8, Syracuse 7. Wholesale trade increases: Albany 10, Syracuse 15. Corn and late truck crops hurt by early frost. Payrolls and production above last year. Most factories operating on full-time schedules with good backlog of orders. Binghamton shoe factories 10% more active than a year ago. Production of cotton sheeting and knit goods increased during month in Utica. OCTOBER—Shoe operations slightly above September. Other industries unchanged. Retail business steady.



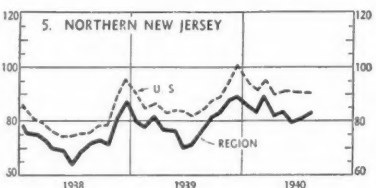
4. BUFFALO AND ROCHESTER

AUG., 79.5 JULY, 78.0 AUG. 1939, 75.0
AUGUST—Percentage department store sales increases over previous August: Buffalo 10, Rochester 16, Niagara Falls 17. SEPTEMBER—Percentage retail trade increases over previous September: Buffalo-Elmira-Rochester 10. Buffalo wholesale trade 8% above a year ago. Farm income better than at same time last year. Payrolls and production above a year ago, steady to up in month. Steel production, industrial electric power sales, railroad tonnage, factory employment all showing striking gains. Collections steady with a year ago and with August. OCTOBER—Retail gains well maintained; volume 10% above 1939, about even with late September. Factory employment and payrolls continue upward.



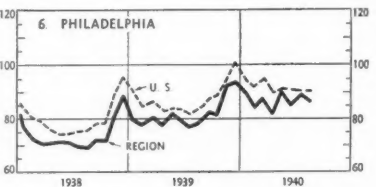
5. NORTHERN NEW JERSEY

AUG., 83.0 JULY, 80.8 AUG. 1939, 75.4
AUGUST—Northern New Jersey department store sales 17% above level of previous August. SEPTEMBER—Percentage gain in Newark retail trade over previous September 5. Newark wholesale volume 3% above a year ago; wholesale grocery buying off 12% from last September, due to unusually heavy buying a year ago. Payrolls and production steady with a year ago. Employment and payrolls steady with August, production and sales somewhat lower than previous month. Telephone company erecting new plant. Bank clearings 1% above a year ago in Newark, off 10% for Northern New Jersey as a whole. OCTOBER—Retail sales 5% above 1939, 4% above September. Wholesaling and manufacturing more active than a month ago.



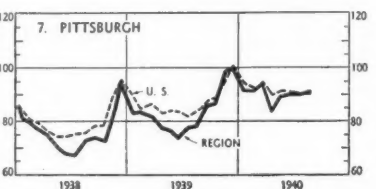
6. PHILADELPHIA

AUG., 86.3 JULY, 89.1 AUG. 1939, 78.0
AUGUST—Percentage department store sales increases over previous August: Trenton 25, Philadelphia 18, Scranton 13, Harrisburg 30, Wilmington 9. SEPTEMBER—Percentage retail trade increases over previous September: Trenton 15, Allentown 7, Philadelphia-Harrisburg-Lancaster 5, Reading-Wilmington 12, Scranton 0, Wilkes-Barre 3, York 11. Philadelphia wholesale trade 10% above level of last September. Apple and peach crops good. Tobacco yield large but rusty. Payrolls and production above last year. Employment increased at Philadelphia Navy Yard. OCTOBER—Steady strength in retail trade. Wholesalers encountering delivery difficulties. Industry active.



7. PITTSBURGH

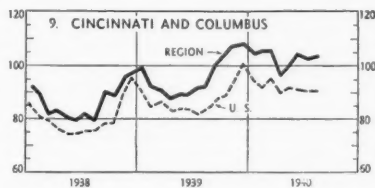
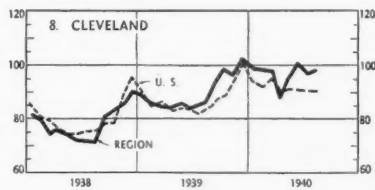
AUG., 91.2 JULY, 90.4 AUG. 1939, 77.1
AUGUST—Percentage department store sales increases over previous August: Erie 24, Pittsburgh 22, Wheeling 6, West Virginia State 11. SEPTEMBER—Percentage retail trade increases over previous September: Erie 2, Pittsburgh 14, Youngstown 6, Huntington 12, Charleston 15. Wholesale trade (Continued directly opposite)



increases: Erie 2, Pittsburgh 10, Charleston 11. Payrolls and production steady to above last year. Steel operations at about 90% of rated capacity. Output of electrical equipment increased in month as a result of defense orders. Installment collections better than a year ago due to increased employment. OCTOBER—Retail trade continuing at a good level. Wholesale volume 20% above 1939. Industry active.

8. CLEVELAND

AUG., 98.4 JULY, 97.1 AUG. 1939, 86.0
 AUGUST—Percentage department store sales increases over previous August: Cleveland 17, Akron 13, Toledo 14. SEPTEMBER—Percentage retail trade increases over previous September: Cleveland 15, Akron 1, Toledo-Lima 5. Wholesale trade changes: Cleveland +15, Akron -7, Toledo +10. Apple crop harmed by hail and heavy rains. Grain crops good. Total farm income satisfactory in relation to recent years. Payrolls and production above last year. Airplane and automotive plants operating at capacity. Machine tool production continues high. Steel output near practical capacity. OCTOBER—Department store sales about 16% above last year. Industry very active.

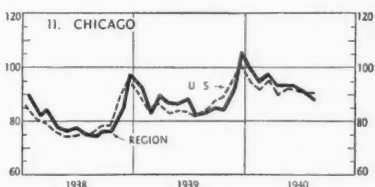
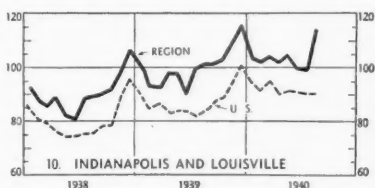


9. CINCINNATI AND COLUMBUS

AUG., 103.3 JULY, 102.4 AUG. 1939, 92.2
 AUGUST—Percentage department store sales increases over previous August: Cincinnati 15, Columbus 14. SEPTEMBER—Percentage retail trade increases over previous September: Cincinnati 15, Dayton-Columbus-Zanesville 5, Springfield 8; Lexington, Ky., off 3. Wholesale trade changes: Cincinnati +5, Columbus -12. Late rains in month aided agriculture. Tobacco crop normal; prices satisfactory. Payrolls and production steady to above last year. Machine tool and steel production continued at high levels. Building construction 28% above last September. Zanesville pottery manufacturing steady. Collections fair to good. OCTOBER—Retail sales 10% above 1937. Industrial conditions continue good.

10. INDIANAPOLIS AND LOUISVILLE

AUG., 113.8 JULY, 109.2 AUG. 1939, 100.2
 AUGUST—Percentage department store sales increases over previous August: Louisville-Fort Wayne 12, Indianapolis 14. SEPTEMBER—Percentage retail trade changes from previous September: Louisville-Terre Haute +5, Evansville +10, Indianapolis +14, Fort Wayne -10. Louisville and Indianapolis wholesale trade steady with previous September. Corn, still unshucked, adversely affected by drought. Payrolls and production above last year. Electrical equipment and gasoline pump concerns exceptionally busy. Manufacturing of metal products and allied lines reported 15 to 20% above same period of last year. Collections generally good. OCTOBER—Retail sales steady to 5% above last year. Manufacturing active.

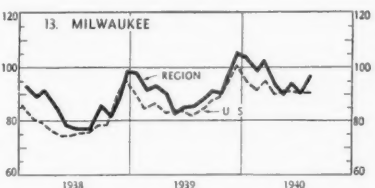
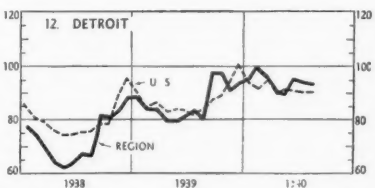


11. CHICAGO

AUG., 88.2 JULY, 90.7 AUG. 1939, 83.5
 AUGUST—Chicago department store sales 11% above level of previous August. SEPTEMBER—Percentage retail trade increases over previous September: Chicago 8, Rockford 3, Peoria 5, South Bend 14. Wholesale volume in Chicago 4% above last year's comparative. Maturity of corn about 10 days later than last year. Still lack moisture for Fall planting. Payrolls and production higher than a year ago and above August. Largest gains shown by manufacturers of heavy goods, particularly tractors and earth-moving machinery. Automobile sales about 35% ahead of last September level. Collections fair to good. OCTOBER—Retail trade about 8% ahead of last October. Wholesale re-orders good.

12. DETROIT

AUG., 93.7 JULY, 94.0 AUG. 1939, 79.8
 AUGUST—Percentage department store sales increases over previous August: Detroit 18, Grand Rapids 16. SEPTEMBER—Percentage retail trade increases over previous September: Detroit-Grand Rapids 10, Saginaw 8. Wholesale trade changes: Detroit 0, Grand Rapids +7. Peach crop above average; prices low. Payrolls and production above a year ago, improved in month. Metal trades active with good level of employment. Unusually large increase in automobile production due to earlier changeover. War orders stimulating activity in tool and die shops. Collections fair to good. OCTOBER—Retail sales averaged 10 to 15% above last year. Wholesale volume about even with 1939 level.

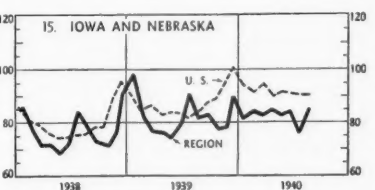
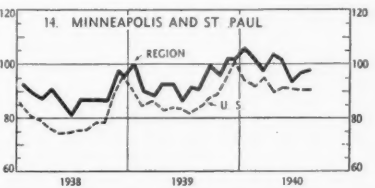


13. MILWAUKEE

AUG., 97.7 JULY, 90.2 AUG. 1939, 87.9
 AUGUST—Milwaukee department store sales 15% above previous August level. SEPTEMBER—Percentage retail trade changes from previous September: Milwaukee +11, Green Bay -7. Wholesale trade in Milwaukee 13% above similar month of 1939. Most crops in unusually good yield; cabbage, sugar beets, dairy goods, and eggs all more abundant than last year. Payrolls and production above last year, steady to up in month. Paper mills running full time with substantial backlogs of orders. Metal trades steadily increasing employment and payrolls as a result of Government orders. Gloves, saddlery, raincoats, bedding, and blankets industries also active. OCTOBER—Department store sales about 3% above a year ago.

14. MINNEAPOLIS AND ST. PAUL

AUG., 98.4 JULY, 97.1 AUG. 1939, 90.7
 AUGUST—Minneapolis-St. Paul-Duluth-Superior department store sales 13% above previous August level. SEPTEMBER—Percentage retail trade changes from previous September: Duluth +10, Minneapolis +1, St. Paul +7, La Crosse-Great Falls +5, Fargo -5, Sioux Falls 0, Billings +6, Butte +3. Wholesale trade increases: Duluth 8, Minneapolis 4, Great Falls 5. Winter wheat and range conditions good. Farm income increased, largely due to higher livestock prices. Sugar beet harvesting hampered by rain. Payrolls and production generally above last year. Manufacturing of airplanes and automobile parts active. Smelters and flour mills busier than in August. OCTOBER—Consumer buying about 9% above 1939.

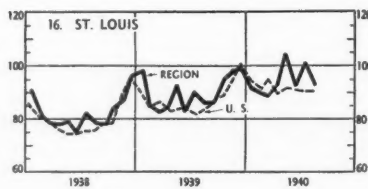


15. IOWA AND NEBRASKA

AUG., 84.5 JULY, 76.1 AUG. 1939, 80.2
 AUGUST—Consumer buying about 5% above previous August level. SEPTEMBER—Percentage retail trade changes from previous September: Burlington +2, Cedar Rapids +4, Davenport +10, Dubuque-Des Moines-Lincoln +5, Waterloo -5, Sioux City -3, Omaha +1. Wholesale trade changes: Sioux City -3, Des Moines +10, Omaha +5. Corn matured late, but good crop in prospect. Small grain yield good. Crops in central Nebraska poor. Payrolls and production steady to above last year. Sioux City electrical tool manufacturing concern working on defense order, production up. Sash and door mills at Dubuque running at capacity. Collections vary in different sections. OCTOBER—No particular change noted in trade conditions.

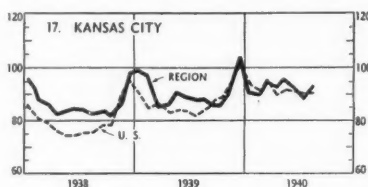
16. ST. LOUIS

AUG., 92.9 JULY, 100.5 AUG. 1939, 85.3
AUGUST—Percentage department store sales increases over previous August: St. Louis 11, Springfield (Mo.) 34, Quincy 10. SEPTEMBER—Percentage retail trade changes from previous September: St. Louis +8, Springfield (Mo.) +6, Springfield (Ill.) +3, Quincy -3. St. Louis wholesale trade 8% above previous September level. Crop yields small; dryest September in over 50 years in Missouri. Payrolls and production steady to above last year. Durable goods, building materials and household goods industries showing wide gains over a year ago. Collections in textile lines beginning to lag. OCTOBER—Retail trade about 5% above last year. Heavy industries continue to show good activity.



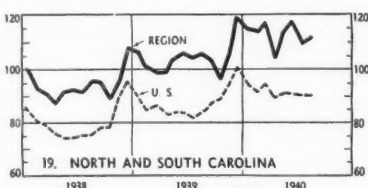
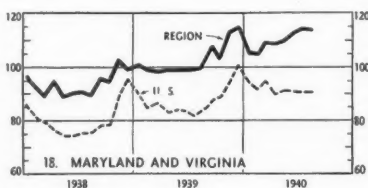
17. KANSAS CITY

AUG., 93.2 JULY, 88.4 AUG. 1939, 87.3
AUGUST—Percentage department store sales increases over previous August: Kansas City 9, Wichita 4, Oklahoma City 15, Tulsa 13. SEPTEMBER—Percentage retail trade changes from previous September: Kansas City 0, St. Joseph -5, Topeka -2, Wichita +5, Oklahoma City +4, Tulsa +8. Wholesale trade changes: Kansas City -5, Oklahoma City +5. Winter wheat seeded and prospects good. Gradual gain noted in prices of wheat, corn, and oats, due to artificial scarcity produced by Government loans on stored grains. Payrolls and production steady to above last year. Aircraft companies continuing to expand. Railroad shops on full time. OCTOBER—Retail volume above last year. Wholesale sales improving.



18. MARYLAND AND VIRGINIA

AUG., 113.3 JULY, 114.6 AUG. 1939, 99.5
AUGUST—Percentage department store sales increases over previous August: Baltimore 26, Washington 20, Richmond 14, Virginia State 15. SEPTEMBER—Percentage retail trade gains over previous September: Baltimore-Roanoke-Richmond 8, Washington 6, Norfolk 20, Lynchburg 13, Bristol 0. Wholesale trade increases: Baltimore 5, Norfolk 20, Richmond 6. Dry weather retarded Fall planting slightly. Corn, cotton, hay, and apple harvests satisfactory. Payrolls and production steady to above last year. Textiles operating full time, with good backlog of orders. Steel mills, aviation plants, and shipyards busy. OCTOBER—Retail volume as a whole continued somewhat above 1939. Wholesale buying favorable.

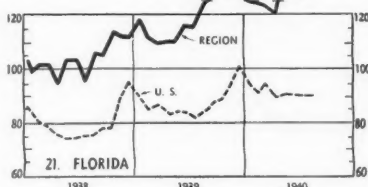
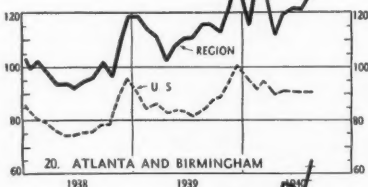


19. NORTH AND SOUTH CAROLINA

AUG., 111.6 JULY, 109.2 AUG. 1939, 105.6
AUGUST—Percentage department store sales increases over previous August: North Carolina 15, South Carolina 13. SEPTEMBER—Percentage retail trade increases over previous September: Asheville 3, Winston-Salem 6, Charlotte-Raleigh 5, Wilmington 2, Charleston 10, Columbia 7, Greenville 15. Wholesale trade increases: Wilmington 3, Charleston 0, Winston-Salem 8. Tobacco crop excellent, but limited due to Government curtailment. Cotton now being gathered; prices satisfactory. Payrolls and production steady to above last year. Cotton mills very active as result of Government orders. Navy Yard expanding operations. Some housing shortage. OCTOBER—Charleston bank clearings 13% above last year.

20. ATLANTA AND BIRMINGHAM

AUG., 126.7 JULY, 120.9 AUG. 1939, 115.7
AUGUST—Percentage department store sales changes from previous August: Atlanta +6, Macon -3, Birmingham +12, Montgomery +16, Nashville +8. SEPTEMBER—Percentage retail trade increases over previous September: Atlanta-Macon 6, Augusta 5, Columbus-Birmingham-Mobile-Chattanooga 10, Savannah 18, Montgomery 13, Knoxville 11; Nashville off 5. Wholesale trade changes: Atlanta +3, Birmingham -5, Nashville -10. Poor pecan crop this year; peanuts now on market, near record yield. Cotton crop and price satisfactory. Payrolls and production steady to above last year. Cotton mill activity at high level. Stove manufacturers receiving rush of orders. OCTOBER—Columbus Day sales met moderately good response.

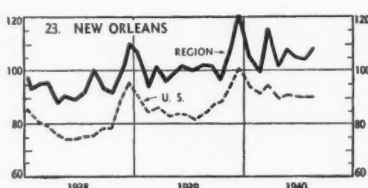
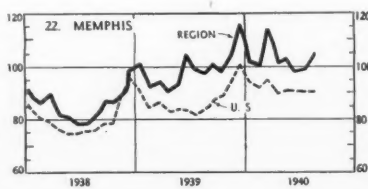


21. FLORIDA

AUG., 143.0 JULY, 128.1 AUG. 1939, 123.7
AUGUST—Department store sales throughout the State averaged about 18% higher than last August. SEPTEMBER—Percentage retail trade increases over previous September: Jacksonville 11, Miami 10, Tampa 17. Wholesale trade increases: Jacksonville 9, Tampa 7. Citrus crops in better shape than for several years; shipments of vegetables and citrus moderate this month. Payrolls and production generally above last year. Cigar industry feeling effects of early holiday orders. Naval stores shipments off some because of weather. Lumber industry very active. Large amount of Government building. Collections good on the whole, spotty in some wholesale lines. OCTOBER—Defense activity continues strong.

22. MEMPHIS

AUG., 105.0 JULY, 99.3 AUG. 1939, 97.1
AUGUST—Percentage department store sales increases over previous August: Memphis 9, Fort Smith 29, Little Rock 12. SEPTEMBER—Percentage retail trade changes from previous September: Memphis -3, Fort Smith-Little Rock +5. Memphis wholesale trade even with a year ago; Fall orders generally in good quantity, especially from cotton sections. Cotton and other crops rather late, due to cool weather, but in good condition. Farm prices steady to better than average. Payrolls and production generally above a year ago, steady to improved in month. Furniture and lumber plants active. Plans under way for development of ore deposits in Arkansas. OCTOBER—Department store sales 7% above a year ago.

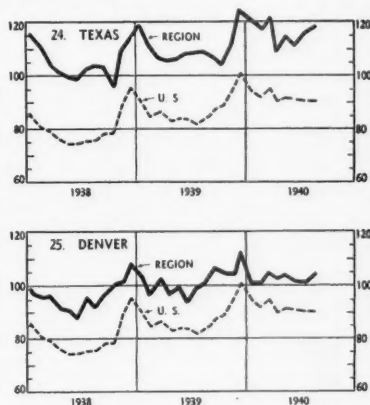


23. NEW ORLEANS

AUG., 108.7 JULY, 104.1 AUG. 1939, 102.0
AUGUST—New Orleans department store sales 6% above level of preceding August. SEPTEMBER—Percentage retail trade increases over previous September: New Orleans 10, Jackson 4, Meridian 15. New Orleans wholesale trade 10% above a year ago. Cotton just reaching maturity; crop far short of normal. Payrolls and production above last year. Great increase in marine craft construction. Petroleum production and drilling holding its own. Building of army camps influencing payrolls favorably. Cotton ginning nearing peak. Bank clearings 11% below last September. OCTOBER—State fair and football drawing many visitors to Louisiana. Bank clearings at New Orleans 12% below level of previous year's comparative.

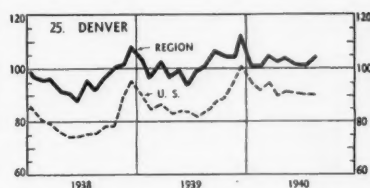
24. TEXAS

AUG., 118.6 JULY, 115.7 AUG. 1939, 109.1
 AUGUST—Percentage department store sales increases over previous August: Dallas 10, Fort Worth 13, Houston 8, San Antonio 29. SEPTEMBER—Percentage retail trade changes from previous September: Dallas—Amarillo—Lubbock—Wichita Falls +10, Fort Worth +8, El Paso —10, Houston—Austin +2, Galveston +3, Beaumont +5, Waco 0, San Antonio +7, Shreveport —5. Wholesale trade changes: Dallas +10, Houston —1, San Antonio +6, Fort Worth—Shreveport —5. Harvesting of cotton crop well under way. Rice crop off 30% due to storm. Good corn yield. Payrolls and production above a year ago. Lumber manufacturing active. Oil and gas industries holding even. OCTOBER—Retail trade 5% above a year ago. Wholesaling active.



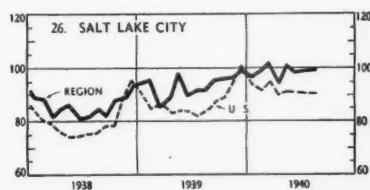
25. DENVER

AUG., 104.1 JULY, 100.7 AUG. 1939, 100.1
 AUGUST—Denver department store sales 4% above previous August level. SEPTEMBER—Denver-Albuquerque retail trade 5% above corresponding month last year; Denver wholesale trade up 8%. Drought earlier in year affected crops in some sections, but yields of Fall crops generally good, especially fruits. Agricultural shipments far ahead of 1939. Payrolls and production above last year in Denver, steady in Albuquerque; industry generally steady with August level. Building and loan companies rushed with applications for FHA loans. Collections steadier than in August but slightly behind 1939. OCTOBER—Denver department store sales 1% above a year ago. Wholesale volume steady.



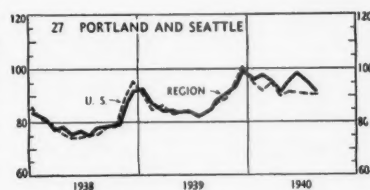
26. SALT LAKE CITY

AUG., 99.6 JULY, 99.2 AUG. 1939, 91.5
 AUGUST—Salt Lake City department store sales 11% above level of previous August. SEPTEMBER—Retail trade in Salt Lake City 9% above corresponding month of 1939, about even with August. Wholesale volume in Salt Lake City 5% above a year ago, up 10% from the level of the previous month; grocery sales, however, showed large decreases from the year ago period. Crop yields generally above last year, except for sugar beets which were off due to early drought and disease. Payrolls and production above last year. Manufacturers of durable products finding some difficulty in obtaining steel and iron requirements. Collections good. OCTOBER—Department store sales 1% above 1939 level.



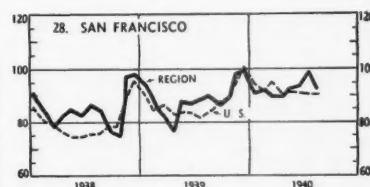
27. PORTLAND AND SEATTLE

AUG., 91.3 JULY, 94.8 AUG. 1939, 84.6
 AUGUST—Percentage department store sales increases over previous August: Seattle 9, Tacoma 17, Spokane—Portland 8. SEPTEMBER—Percentage retail trade increases over previous September: Seattle—Tacoma 10, Spokane—Portland 6. Wholesale trade increases: Seattle 5, Portland 12. Wheat and apple crops both reduced because of weather and pestilence. Payrolls and production steady to above last year. Employment and orders continue to increase at aircraft plants. Lumber, plywood, and pulp production active, with some plants running on full-time basis. Salmon pack 4 to 5% below last year. Strike in Tacoma lumber mill. Collections vary. OCTOBER—Retail sales averaging about 10% higher than a year ago.



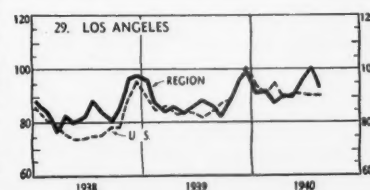
28. SAN FRANCISCO

AUG., 92.0 JULY, 99.2 AUG. 1939, 88.8
 AUGUST—Percentage department store sales changes from previous August: San Francisco +3, Oakland 0. SEPTEMBER—Percentage retail trade changes from previous September: San Francisco—Oakland 0, Sacramento —4, Fresno +7. San Francisco wholesale trade 6% above the year ago level. Sugar beet tonnage about equal to last year, although larger acreage planted. Grape prices for winery consumption 25% above 1939. Payrolls and production steady to above last year. Heavy backlog of naval and commercial ship construction. Canneries winding up season's pack with tomatoes. Lumber schooners on the coast tied up by strike. OCTOBER—Department store sales 4% below 1939; bank clearings about even.



29. LOS ANGELES

AUG., 93.2 JULY, 100.3 AUG. 1939, 86.0
 AUGUST—Percentage department store sales changes from previous August: Los Angeles +7, Phoenix —7. SEPTEMBER—Percentage retail trade increases over previous September: Los Angeles 10, San Diego 11, Phoenix 2. Los Angeles wholesale trade 5% ahead of similar month last year. Orange and avocado crops large; prices somewhat weak. Payrolls and production above a year ago and improved since August. Aircraft backlog continued to grow in month. Building activity at new high for recent years. Automobile plants increasing production. All machine shops unusually busy. Collections in all lines better than a year ago. OCTOBER—Retail sales not up to expectations; volume slightly behind last year. Wholesaling active.



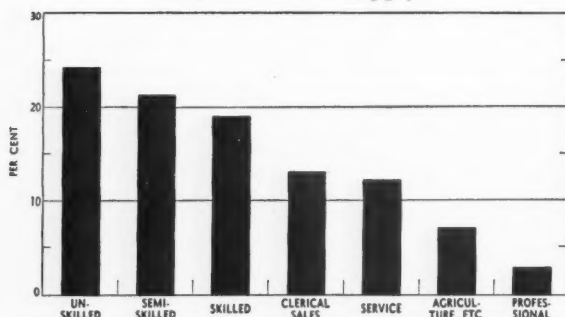
RIVETERS ATOP A CRANE—REPUBLIC STEEL CORPORATION



THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Defense Labor Supply



OCCUPATIONAL DISTRIBUTION OF JOB SEEKERS AVAILABLE AT PUBLIC EMPLOYMENT OFFICES IN 43 STATES—April 1940—Social Security Board—Almost one-half of all those registered for employment were skilled or semi-skilled workers; about one-fourth were classified as unskilled.

TOTAL applicants for jobs at public employment offices in April 1940, in 43 States numbered 4,105,162 persons and represented more than 7,000 different occupations. These Social Security Board statistics give some indication of the numbers and kinds of workers who are available to augment the working forces of this country.

About 1,700,000 workers, 41 per cent of the total, were found to be qualified for skilled or semi-skilled trades. Of this number, more than 800,000 were skilled workers. An additional 1,000,000 applicants were available for unskilled work, and the remainder—about 1,500,000—were classified for professional, managerial, clerical, service, and agricultural occupations.

Of the workers with skills useful in manufacturing activities, the largest number who had worked in any one kind of establishment were textile workers. Second in total numbers were metal-workers, of whom 200,000 were qualified for skilled or semi-skilled jobs among 22 occupations, including 50,000 machinists, 5,900 tool and die makers, about 27,000 molders and welders, and about 11,000 tin-smiths, coppersmiths, and sheet-metal workers. Mechanics and repairmen numbered about 60,000, of whom 1,100 were airplane mechanics.

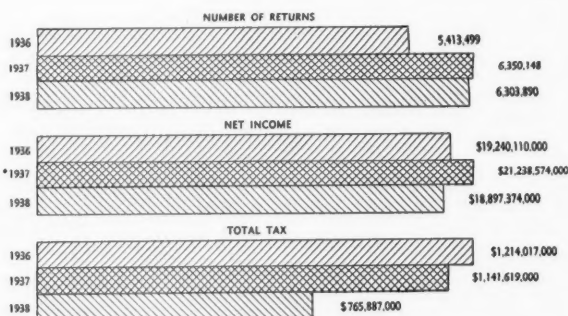
About 27 per cent of the total number of workers were 45 years of age and over. Marked variations were apparent, however, in the age groups of different classes of workers. The semi-skilled class was largely made up of the relatively younger ages, and within the class, workers in non-manufacturing industries were generally younger than those in manufacturing. Among the skilled workers 41 per cent were 45 years of age, and the skilled workers in manufacturing industries were somewhat younger than those in non-manufacturing concerns.

Income Taxes

A PRELIMINARY RELEASE from the U. S. Treasury Department on individual and fiduciary income tax returns filed during 1939 indicates that total personal income taxes were considerably smaller for 1938 than for the two previous years. The effective tax rate was also lower; on all returns with net income, including both individual and taxable fiduciary classifications, it was 6.3 per cent in 1936, 5.4 per cent in 1937, and 4.1 per cent in 1938.

For 1938 a total of 6,203,657 returns were filed. Slightly more than half of these, 50.2 per cent, were non-taxable, compared with about 47 per cent in 1937 and 1936—that is, exemptions from the normal tax and surtax exceeded net income in a larger proportion of the cases in 1938 than in the former years.

By income classes, the majority of returns fell in the less-than-\$2,500 bracket for 1938; this was also true in 1937 and in 1936, but the percentage in 1938, 56.4, was higher



STATISTICS OF INDIVIDUAL INCOMES—1936-1938—U. S. Treasury Department—In 1938 the number of returns and the net incomes totalled only slightly less than in 1937, but the tax revenue was considerably smaller.

than the 54.8 and the 54.7 recorded in 1937 and 1936, respectively. Similarly, fewer returns with net income of \$10,000 or more were filed for 1938—2.9 per cent of the total number as against 3.7 per cent in 1937 and 4.4 per cent in 1936. Of the returns with net income, there were relatively fewer that were taxable in 1938 than in 1937 or 1936, and the taxable incomes were generally smaller.

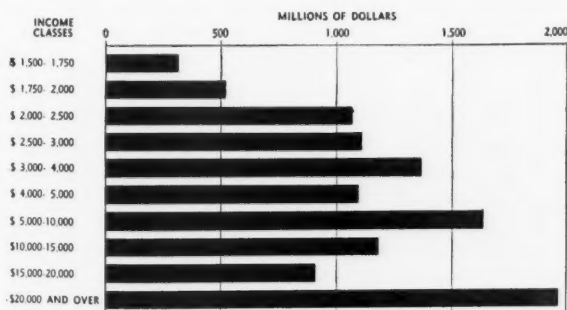
Figures show, however, that more than four-fifths of the income tax revenue for each of the three years was received from levies on the higher incomes, those of \$10,000 or more. But since there were relatively fewer large incomes in 1938, and more small incomes, the total tax was smaller. (Included in the 1938 returns were the alternative taxes levied with reference to long-term capital gains and losses.)

Taxes levied on incomes of less than \$2,500 in 1938 amounted to \$23,703,000, 3.1 per cent of all revenue, compared with \$26,627,000 or 2.3 per cent in 1937 and with \$22,287,000 or 1.8 per cent in 1936. Taxes on incomes of less than \$10,000 accounted for 17.7 per cent of the total in 1938, 13.6 per cent in 1937, and 11.5 per cent in 1936. As an example of what happened to revenue from the higher income brackets, it is noted that persons or trusts with incomes of \$100,000 to \$150,000 paid 9.6 per cent of the total tax in 1936, 8.9 per cent in 1937, and 7.6 per cent in 1938.

Defense Financing

DEFENSE costs money, and presents the problem of financing. The National Industrial Conference Board has attempted to calculate how many billion dollars could be drawn from corporate and individual incomes in the year 1940, without changing unduly the economic and social structure of the nation. It was estimated that "optional" consumption expenditures plus all individual and corporate savings could yield \$17,000,000,000 to \$19,000,000,000, and that a reduction of the standards of living of the various income classes to the minimum requirement of living for each class would provide an additional \$5,000,000,000 to \$7,000,000,000.

Optional expenditures in 1937, that is, the amount that individuals spent in excess of their direct physical and social needs, were computed to be about 15 per cent of total income. On the basis of a prospective national income of \$75,000,000,000 in 1940, optional expenditures this year, if mobilized by the Federal Government, would amount to a contribution of \$11,000,000,000 to \$12,000,000,000 from individual incomes. This amount, plus an estimated \$4,000,000,000 to \$5,000,000,000 of net individual savings, plus individual gifts to non-individuals of about \$1,500,000,000, plus about \$2,500,000,000 to be paid directly to the Government in income taxes, poll taxes, fines, fees, and social security contributions, would yield a grand total of between \$19,000,000,000 and \$21,000,000,000 which could,



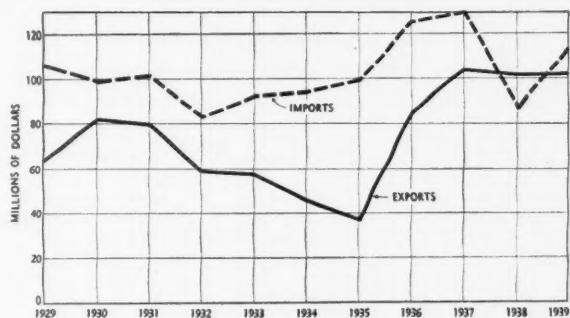
OPTIONAL EXPENDITURES BY INCOME CLASSES—Estimate for 1940—National Industrial Conference Board—Some expenditures, even in the \$1,500 to \$1,750 income class, are considered to be beyond actual physical and social needs, and are thus classified as "optional."

if necessary, become available for use in national defense.

Optional spending is, of course, devoted more largely to certain consumption classes than to others. About 43 per cent of all expenditures for private education, 29 per cent of outlays for recreation, and 26 per cent of automobile purchases and upkeep fall in the optional group. Only 8 per cent of food costs, including alcoholic beverages, were considered optional, but food expenditures made up the largest dollar total of optional consumption.

By income classes, optional spending increases at a more rapid rate than incomes. About 5 per cent of incomes in the \$1,500-\$1,750 group were devoted to spending classified as optional, while the proportion in the \$2,000-\$2,500 class was 14 per cent, and in the \$15,000-\$20,000 group, 46 per cent.

Hawaii and the Mainland



UNITED STATES TRADE WITH HAWAII—1929-1939—U. S. Bureau of Foreign and Domestic Commerce—Our imports from Hawaii exceeded exports to the Territory in every year of the period considered except 1938.

HAWAII is to the United States a source of sugar and pineapple, and a place for tourists to spend about \$10,000,000 annually. That agriculture is Hawaii's chief industry is reflected in its export and import figures. The five commodities shipped out of Hawaii in largest dollar volume last year were canned pineapple, pineapple juice, sugar (mostly unrefined), molasses, and fish. Of commodities shipped into Hawaii from the continental United States in 1939, the largest group was composed of metals and manufactures.

In 1939 Hawaiian exports to the United States totalled \$113,206,898, of which \$34,098,779 were in canned pineapple, \$16,723,754 in pineapple juice and syrup, and \$53,973,169 in raw sugar. Commodities shipped in greatest volume from the United States to Hawaii included \$2,966,035 worth of cigarettes, \$6,053,373 of gasoline, \$7,023,798 of tin plate and taggers' tin, and \$2,809,798 of passenger cars and chassis.

The commercial relationships of the Territory of Hawaii with continental United States are perhaps of especial interest just now, for on November 5, 1940, the residents of Hawaii are balloting on, "Do you favor Statehood for Hawaii?"

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"
More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Building Permit Values—215 Cities

GEOGRAPHICAL GROUPS:	September 1940	September 1939	Per Cent Change	August 1940	Per Cent Change
New England	\$9,219,995	\$5,175,138	+ 78.2	\$7,366,832	+ 25.2
Middle Atlantic	24,551,874	27,699,178	- 11.4	23,114,077	+ 6.2
South Atlantic	15,671,692	10,864,065	+ 44.2	12,937,450	+ 21.1
East Central	27,652,187	24,755,895	+ 11.7	30,825,108	- 10.3
South Central	11,057,357	12,732,796	- 13.2	13,870,939	- 20.3
West Central	6,982,722	6,369,637	+ 9.6	6,817,198	+ 2.4
Mountain	3,113,032	2,090,714	+ 48.9	2,617,320	+ 18.9
Pacific	20,703,112	13,516,243	+ 53.2	18,720,146	+ 10.6
Total U. S.	\$118,951,971	\$103,203,666	+ 15.3	\$116,269,070	+ 2.3
New York City	\$15,336,640	\$18,684,042	- 17.9	\$14,039,891	+ 9.2
Outside N. Y. C.	\$103,615,331	\$84,519,624	+ 22.6	\$102,229,179	+ 1.4

Bank Clearings—23 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1940	1939	1938	1940	1939	1938
January	24,140	23,383	21,979	928.5	935.3	879.1
February	20,641	19,885	17,735	897.4	903.8	806.2
March	23,833	25,192	22,996	916.7	933.0	851.7
April	23,587	21,931	21,838	907.2	879.2	839.9
May	24,361	22,374	20,324	936.9	860.5	813.0
June	21,838	23,212	24,124	873.5	892.8	927.8
July	22,939	21,576	21,799	882.3	863.1	872.0
August	21,046	22,782	19,890	779.5	843.8	736.7
September	21,083	24,015	21,924	878.5	960.6	877.0
October	22,469	22,469	24,208	898.8	968.3	968.3
November	22,807	21,819	21,819	991.6	948.6	948.6
December	26,827	27,905	27,905	1,073.1	1,073.3	1,073.3
Total	276,503	266,541	266,541	919.6	882.8	882.8

Bank Clearings for Individual Cities

(Thousands of dollars)

	September 1940	September 1939	Per Cent Change	August 1940
Boston	927,148	979,581	- 5.4	875,034
Philadelphia	1,613,000	1,650,000	- 2.2	1,730,000
Buffalo	145,922	138,640	+ 5.3	138,191
Pittsburgh	587,845	536,876	+ 9.5	590,841
Cleveland	475,837	431,397	+ 10.3	480,925
Cincinnati	260,403	260,171	+ 0.1	255,884
Baltimore	315,831	309,076	+ 2.2	323,799
Richmond	193,486	190,546	+ 1.5	177,028
Atlanta	266,300	246,400	+ 8.1	266,800
New Orleans	161,782	182,423	- 11.3	156,015
Chicago	1,272,495	1,360,924	- 6.5	1,306,571
Detroit	513,179	426,614	+ 20.3	548,205
St. Louis	373,858	380,833	- 1.8	373,771
Louisville	153,838	152,615	+ 0.8	152,082
Minneapolis	327,410	340,889	- 4.0	315,215
Kansas City	402,417	420,594	- 4.3	421,268
Omaha	132,028	141,411	- 6.6	133,190
Dallas	235,951	258,044	- 8.6	225,552
Houston	207,136	214,133	- 3.3	202,734
San Francisco	657,741	659,358	- 0.2	630,487
Portland, Ore.	166,423	146,868	+ 13.3	170,542
Seattle	181,459	176,826	+ 2.6	184,007
Total 22 Cities	9,571,489	9,604,219	- 0.3	9,658,141
New York	11,511,800	14,410,128	- 20.1	11,387,602
Total 23 Cities	21,083,289	24,014,347	- 12.2	21,045,743

Dun & Bradstreet Wholesale Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

WEEKS:	1940	1939	1938	1937
Oct. 22	\$2.33	\$2.44	\$2.38	\$2.74
Oct. 15	2.33	2.43	2.39	2.80
Oct. 8	2.32	2.39	2.42	2.82
Oct. 1	2.31	2.41	2.42	2.86
Sept. 24	2.31	2.46	2.43	2.88
Sept. 17	2.31	2.46	2.42	2.92
Sept. 10	2.31	2.45	2.44	2.89
Sept. 3	2.32	2.32	2.42	2.86
Aug. 27	2.29	2.16	2.41	2.87

	HIGH	Low
1940	\$2.36 Jan. 30	\$2.18 June 18
1939	\$2.46 Sept. 19	\$2.13 Aug. 15
1938	\$2.53 Jan. 4	\$2.34 May 10

Dun & Bradstreet Daily Wholesale Price Index 30 Basic Commodities

(1930-1932 = 100)

	Oct.	Sept.	Aug.	July
1	118.39	+	113.69	114.81
2	118.57	*	113.30	114.93
3	118.34	114.77	*	115.38
4	118.35	115.01	+	*
5	118.91	115.72	113.20	115.61
6	+	115.16	113.17	*
7	119.04	*	113.23	+
8	118.82	+	113.61	115.70
9	118.91	115.08	113.42	114.85
10	119.20	115.06	*	114.94
11	119.44	115.13	+	114.97
12	*	115.14	113.47	114.25
13	+	115.22	113.09	*
14	119.69	115.20	113.34	+
15	120.10	+	113.05	114.08
16	119.87	115.21	112.54	114.41
17	120.21	115.60	*	114.56
18	120.27	115.58	+	114.23
19	120.36	115.78	112.42	114.31
20	+	115.84	112.88	*
21	120.30	115.94	112.97	+
22	120.95	+	113.32	113.67
23	119.69	116.69	112.97	113.58
24	117.08	*	113.80	113.80
25	117.46	+	113.49	113.49
26	117.45	113.62	113.56	113.56
27	117.74	114.11	*	*
28	118.28	113.93	+	+
29	+	113.73	113.11	113.11
30	118.35	114.42	113.56	113.56
31	*	*	113.54	113.54

+ Sunday. * Markets closed.

	HIGH	Low
1940	123.34 Jan. 2	112.42 Aug. 19
1939	124.19 Dec. 18	101.40 July 24
1938	117.06 Jan. 10	102.43 June 2

INDUSTRIAL AND COMMERCIAL FAILURES

NUMBER OF FAILURES				CURRENT LIABILITIES Thousands of dollars				DUN'S INSOLVENCY INDEX†							
(New Series)		(Old Series)		(New Series)		(Old Series)		UNADJUSTED				ADJUSTED‡			
1940	1939	1939	1938	1940	1939	1939	1938	(New Series)	(Old Series)	(New Series)	(Old Series)	(New Series)	(Old Series)	(New Series)	(Old Series)
Jan. . . .	1,237	1,567	1,263	1,377	15,279	20,790	19,122	21,415	67.1	86.0	69.3	76.2	54.6	69.9	56.3
Feb. . . .	1,042	1,202	963	1,149	13,472	13,582	12,788	21,028	66.7	78.0	62.5	75.2	58.0	67.8	54.3
Mar. . . .	1,197	1,322	1,057	1,167	11,681	19,002	17,851	40,325	62.6	72.6	58.1	64.8	61.4	71.9	57.5
Apr. . . .	1,291	1,331	1,064	1,172	16,247	18,579	17,435	21,147	70.1	73.1	58.5	65.1	67.4	71.0	56.8
May . . .	1,238	1,334	1,028	1,123	13,068	15,897	14,664	19,139	66.9	70.5	54.3	59.8	65.6	69.8	53.8
June . . .	1,114	1,119	847	1,073	13,734	12,581	11,460	15,918	62.5	66.5	50.3	64.1	64.4	69.3	52.4
July . . .	1,175	1,153	885	1,038	16,213	14,999	14,128	14,761	63.0	63.0	48.3	57.2	70.8	70.8	54.3
Aug. . . .	1,128	1,126	859	1,015	12,997	12,037	11,259	16,382	60.6	61.4	46.8	53.8	71.3	72.2	55.1
Sept. . . .	976	1,043	758	866	11,397	10,545	9,402	14,341	54.3	59.0	42.9	51.6	64.6	70.2	51.1
Oct. . . .	.....	1,234	916	997	.....	17,464	16,140	13,219	.....	67.0	49.7	54.7	.....	72.8	54.0
Nov. . . .	.....	1,184	886	984	.....	13,201	11,877	12,302	.....	72.6	54.3	53.9	.....	69.8	52.2
Dec. . . .	.....	1,153	882	875	.....	13,243	12,078	36,528	.....	65.0	49.7	56.7	.....	64.3	49.2
Total . . .	14,768	11,408	12,836	.....	182,520	168,204	246,505	.....	69.6	53.7	61.1	.....	.....	.....	.....

† Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING *the* RECORD *of* INDUSTRIAL and COMMERCIAL FAILURES

SEPTEMBER DECLINE IN EXCESS OF NORMAL

SEPTEMBER business failures declined sharply. Only 976 were reported, against 1,128 in August: a drop of 152 cases, or 14 per cent. In September 1939, 1,043 were reported. September liabilities, \$11,397,000, were less by 12 per cent than the \$12,997,000 in August, but more than the \$10,545,000 of September a year before.

The insolvency index, which relates the number of failures to the number of concerns in business, dropped 6.3 points, from 60.6 in August to 54.3 in September. In September 1939, the index stood at 59.0. Failures usually reach their seasonally low point of the year in September, but the current drop in the index greatly exceeded the slight downward movement which usually takes place between August and September.

The same index adjusted for seasonal variation reflected the excess decline by falling 6.7 points, from 71.3 in August to 64.6 in September. If 1940 failures were following the normal seasonal pat-

tern, then it might be supposed that failures had reached their year's low point; but the trend of the adjusted index shows that during the year they have varied markedly from the expected course. From an abnormal low in January they rose sharply for the next few months until by April they were approaching the general level of 1939. During May and June the index dropped, but during July and August increased again, until failures were definitely back to 1939 levels. The current September drop, however, was a substantial setback and failures returned to the level of early Summer and to a level considerably below that of 1939. The adjusted index at 64.6 in September 1940 was 5.6 points, or 8 per cent, below September 1939.

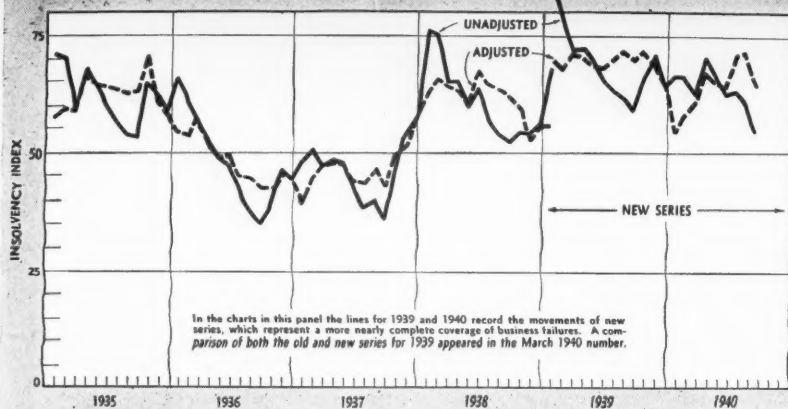
A decline of 20 per cent in retail trade failures in September was largely responsible for the month's total sharp decrease, aided by an 11 per cent drop in manufacturing failures. Construction and wholesale trade failures, con-

trariwise, increased 18 and 6 per cent, respectively. Commercial service failures were unchanged in number.

Retail trade failures were fewer in September than at any time since the low Septembers of 1936 and 1937. Retail failures in those periods were probably in the neighborhood of 500 to 520, compared with 574 at the present time. Failures were down in every main retail line except automotive products and drug stores. The declines varied from 40 per cent in furniture and household furnishings to 11 per cent in the food group. The sharp monthly decline in retail failures followed a drop of 1 per cent in August and a rise of 9 per cent in July.

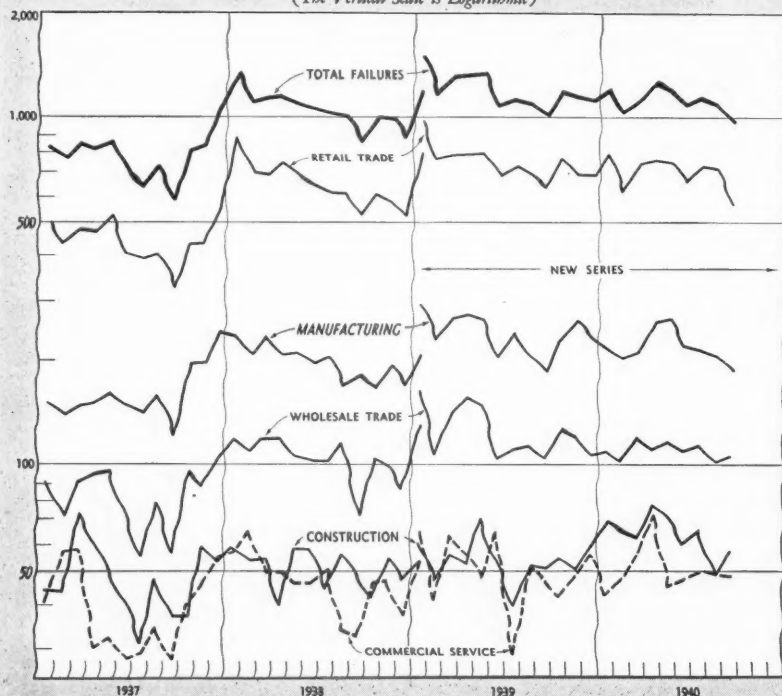
In manufacturing, on the other hand, the September drop of 11 per cent was the fourth consecutive monthly decrease, and on a daily basis the rate of decline appears to have been constant. In September the number of failures in textile products and machinery was appreciably cut. In other manufacturing

MONTHLY TREND OF THE INSOLVENCY INDEX



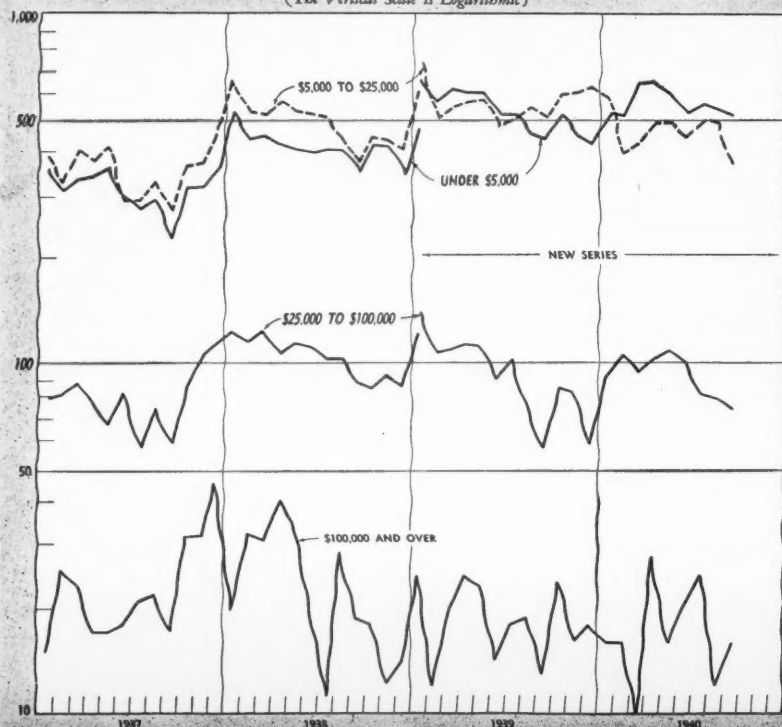
FAILURES BY INDUSTRIAL GROUPS

(The Vertical Scale is Logarithmic)



FAILURES BY SIZE OF LIABILITIES

(The Vertical Scale is Logarithmic)



lines the changes in one direction or the other were slight.

INDUSTRY GROUP	September 1940	September 1939	Per Cent Change
Manufacturing	187	187	0
Wholesale Trade . . .	108	105	+ 3
Retail Trade	574	652	-12
Construction	58	51	+14
Commercial Service . .	49	48	+ 2
Total	976	1,043	- 6

The actual number of September failures was 6 per cent under that of a year before. Manufacturing failures were equal in number in the two periods, and within the totals for the two September figures there were no outstanding changes, although failures at the present time tend somewhat lower in foods and machinery and somewhat higher in textiles, forest products, and paper and printing.

Retail failures as a whole were 12 per cent under those of September 1939, led by a 12 per cent drop in foods, an 18 per cent drop in apparel shops, and 24 per cent drop in lumber, building materials, and hardware. Wholesale trade, construction, and commercial service failures were somewhat more numerous than a year ago.

In September there was a very marked falling off in the number of failures with liabilities between \$5,000 and \$25,000. The drop in this size group amounted to 25 per cent, as contrasted with a decline of only 6 per cent in the very small failures and 6 per cent in the more substantial failures. The number of very large failures increased from 12 in August to 16 in September.

LIABILITIES	September 1940	September 1939	Per Cent Change
Under \$5,000	514	457	+12
\$5,000-\$25,000 . . .	372	516	-28
\$25,000-\$100,000 . .	74	57	+30
\$100,000 and over . .	16	13	+23
Total	976	1,043	- 6

Compared with a year ago, very small failures at the present time are much more frequent, while failures with debts between \$15,000 and \$25,000 are less so. Failures with liabilities in the range from \$25,000 to \$100,000 numbered 74 compared with 57 a year before, an increase of 30 per cent. This increase was principally among manu-

FAILURES BY DIVISIONS OF INDUSTRY—SEPTEMBER, 1940 AND 1939

(Current liabilities in thousands of dollars)

	Number			Liabilities		
	Sept. 1940	Aug. 1940	Sept. 1939	Sept. 1940	Aug. 1940	Sept. 1939
TOTAL UNITED STATES	976	1,128	1,043	11,397	12,997	10,545
MANUFACTURING (total)	187	209	187	4,779	4,459	3,466
Foods	36	34	44	311	843	611
Textiles	40	47	37	697	1,166	435
Forest Products	24	24	20	866	774	442
Paper, Printing and Publishing	20	23	16	399	284	99
Chemicals and Drugs	8	10	9	195	37	138
Fuels	6	5	4	1,295	272	816
Leather and Leather Products	8	9	7	72	197	46
Stone, Clay, Glass and Products	3	4	7	162	101	105
Iron and Steel	7	8	4	49	133	28
Machinery	7	14	11	146	325	216
Transportation Equipment	7	4	4	260	40	95
All Other	21	27	24	327	287	435
WHOLESALE TRADE (total)	108	102	105	1,660	1,721	1,169
Farm Products, Foods, Groceries	48	35	37	938	548	417
Clothing and Furnishings	9	11	7	50	120	125
Dry Goods and Textiles	1	6	5	10	148	18
Lumber, Building Materials, Hardware	6	7	9	62	173	142
Chemicals and Drugs	4	6	6	22	90	18
Fuels	3	3	2	13	17	19
Automotive Products	4	8	7	29	324	73
Supply Houses	5	7	5	100	62	63
All Other	28	19	27	436	239	294
RETAIL TRADE (total)	574	719	652	3,524	4,983	4,443
Foods	169	190	193	662	1,036	866
Farm Supplies, General Stores	16	19	17	84	151	81
General Merchandise	17	28	23	182	133	163
Apparel	102	145	124	515	799	737
Furniture, Household Furnishings	35	58	38	418	572	241
Lumber, Building Materials, Hardware	29	31	38	208	287	646
Automotive Products	42	41	41	248	284	501
Restaurants	92	115	91	762	1,090	544
Drugs	46	37	47	236	223	351
All Other	26	55	40	179	408	313
CONSTRUCTION (total)	58	49	51	893	1,272	945
General Contractors	5	12	9	110	316	662
Carpenters and Builders	13	8	9	152	687	38
Building Sub-contractors	33	28	33	348	183	245
Other Contractors	7	1	..	283	86	..
COMMERCIAL SERVICE (total)	49	49	48	541	562	522
Cleaners and Dyers, Tailors	14	13	12	134	152	150
Haulage, Buses, Taxis, etc.	13	9	9	199	123	164
Hotels	1	5	5	18	108	94
Laundries	3	3	5	36	62	39
Undertakers	5	1	1	53	5	1
All Other	13	18	16	101	112	74

facturing and wholesaling concerns. Geographically, a good portion of the monthly drop in retail trade failures appears to be attributable to sharp decreases in retail failures in New York City and Boston; over the country as a whole, however, retail failures were

down to some extent in 9 out of the 12 Federal Reserve Districts. Total failures declined in the same 9 districts, led by a 43 per cent drop in the Boston district. In the Dallas district they were down 32 per cent; and in other districts downward to a 6 per cent drop in the

Kansas City district. In three scattered districts, Philadelphia, Minneapolis, and San Francisco, September failures were up. With allowance made for the changing number of days in each month, failures in the New York district have drifted downward over a period of four months. With occasional relapses the trends in the Atlanta and Boston districts have also been generally downward since Spring.

Because of the large decrease in New York City, total failures in the 25 largest cities declined more than did the total for the rest of the country. However, among the 25 cities failures rose in 12, declined in 9, and were unchanged in 4.

In only two Federal Reserve Districts, St. Louis and San Francisco, were 1940 failures to date higher than in the first nine months of 1939.

FEDERAL RESERVE DISTRICTS	Jan.-Sept. 1940	Jan.-Sept. 1939	Per Cent Change
Cleveland	514	641	-20
Kansas City	417	499	-16
Dallas	228	272	-16
Chicago	1,496	1,687	-11
New York	3,782	4,234	-11
Philadelphia	697	740	-6
Richmond	424	447	-5
Minneapolis	170	178	-4
Atlanta	510	530	-4
Boston	731	737	-1
St. Louis	320	307	+4
San Francisco	1,109	1,010	+10
Total	10,398	11,282	-8

Quarterly Failures

In the third quarter of 1940 failures increased slightly in July and dropped appreciably in both August and September. They totalled 3,279, as against 3,643 in the second quarter. Failures are normally at their lowest levels during the third quarter of each year, and the current decline of 10 per cent compared with a 12 per cent decline between the second and third quarters of 1939.

The current third-quarter failures were only 1 per cent below the 3,322 in the third quarter of 1939. This 1 per cent drop was the net result of almost equal declines of 3 to 4 per cent in manufacturing, and in wholesale and retail trade, and substantial increases of 17 and 20 per cent respectively, in commercial service and construction fail-

ures. In both manufacturing and distribution lines trends within the main groups were mixed.

COMPARISON OF THIRD-QUARTER FAILURES
BY INDUSTRY AND SIZE, 1939-1940

INDUSTRY GROUP	Third Quarter 1940	Third Quarter 1939	Per Cent Change
Manufacturing	612	639	- 4
Wholesale Trade	326	336	- 3
Retail Trade	2,021	2,077	- 3
Construction	172	143	+20
Commercial Service	148	127	+17
LIABILITIES			
Under \$5,000	1,626	1,456	+12
\$5,000-\$25,000	1,365	1,579	-14
\$25,000-\$100,000	235	237	- 1
\$100,000 and over	53	50	+ 6
Total	3,279	3,322	- 1

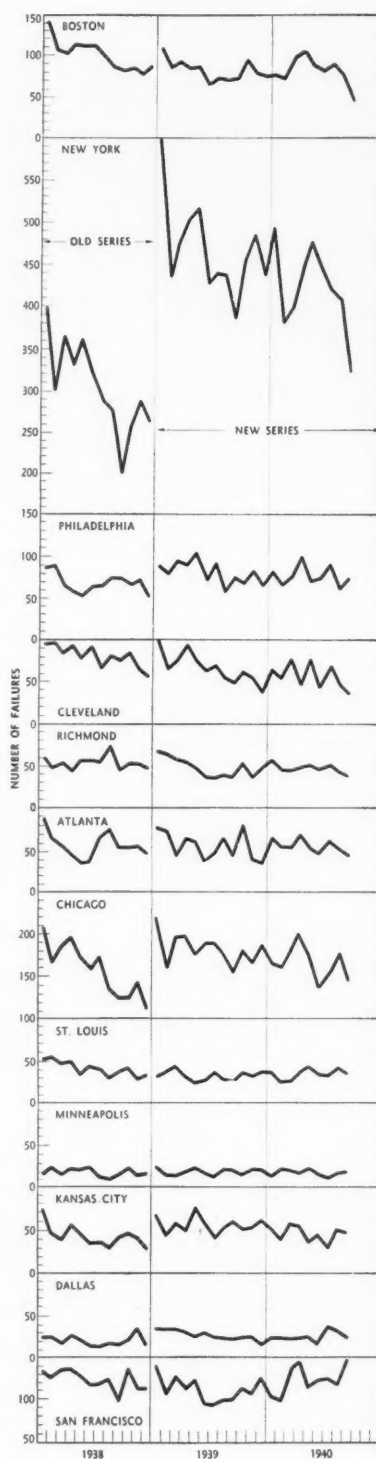
Food failures in manufacturing were lower than a year ago, and in this last quarter not a single brewery failed. Brewery failures have averaged from 24 to 14 a quarter since the beginning of 1934. Textile failures in total were down, but all the decrease was among clothing manufacturers; textile mill failures increased. In some manufacturing lines third-quarter failures exceeded those of a year before. This was so among lumber mills, chemical works, and manufacturers of iron and steel products and electrical equipment.

Quarterly trends in wholesaling were mixed; foods, building materials, and automobile products down; clothing and general supply houses up. In retail trade too, failures in some lines were up and in others down. Increases in general stores, furniture stores, automobile accessory shops and filling stations, restaurants, and drug stores were more than offset by declines in the two large groups of food stores and apparel shops.

Very small failures were more numerous in the quarter just passed than a year before; failures of the next larger size were fewer, but the net change among failures with liabilities under \$25,000 was a 2 per cent decline. Failures with liabilities in excess of \$25,000 were almost identical in number in the two periods.

Although failures were 1 per cent lower in number, liabilities had increased 6 per cent over the comparable

FAILURES IN FEDERAL RESERVE DISTRICTS



quarter of 1939, from \$38,181,000 to \$40,607,000. This increase was spread among failures in all the main industry groups except retail trade. The 1940 third-quarter liabilities for retail trade failures were 3 per cent less than the 1939 third-quarter debts.

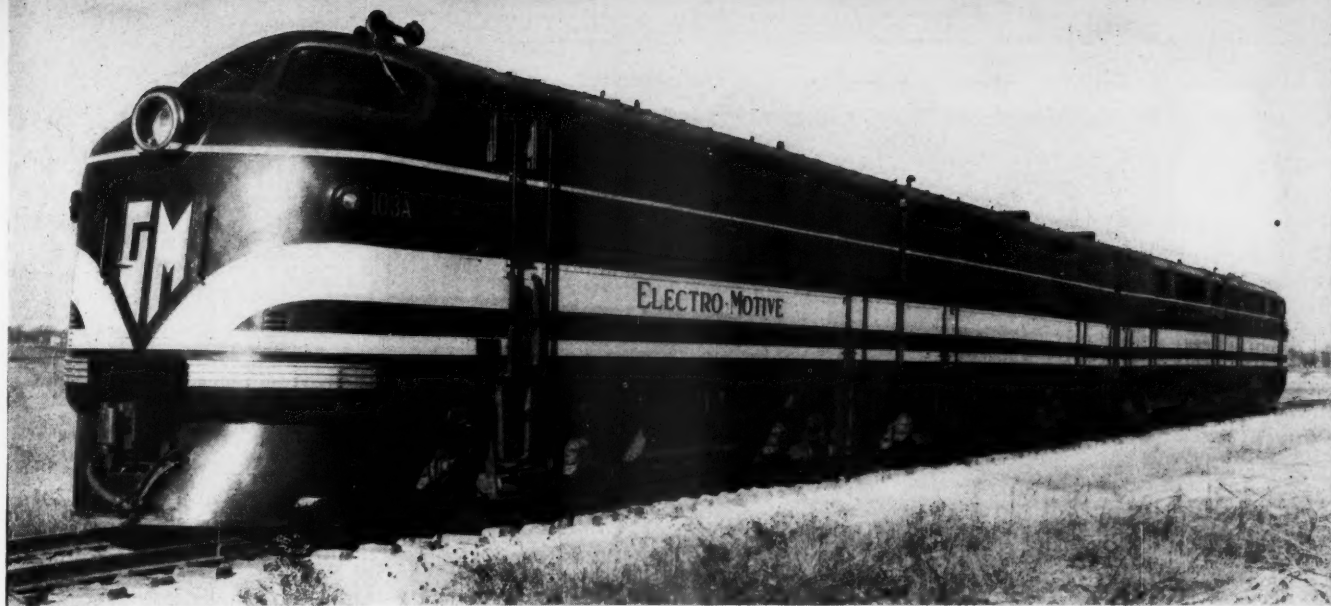
Canadian Failures

Canadian failures numbered 66 in September with liabilities of \$577,000. The decline in Canadian failures during the last three months has been marked. The total dropped from 99 in July to 86 in August, and to 66 in September, with liabilities correspondingly off. The greatest decline in this period was in manufacturing where failures in September were only a third as many as in July. Wholesale trade failures dropped 60 per cent; retail trade only 16 per cent.

The total of 251 for the quarter compared with 289 in the second quarter and 324 in the third quarter of 1939. On a quarterly basis only in retail trade was there a drop from the second quarter. Manufacturing, wholesale trade, and commercial service failures were practically even in the two periods. Construction failures had increased somewhat. Compared with a year ago, manufacturing failures were down 26 per cent, retail trade 31 per cent, construction 13 per cent. Wholesale trade and service failures were currently higher.

	1940		1939
	Third Quarter	Second Quarter	Third Quarter
Manufacturing	48	48	65
Wholesale Trade	23	24	11
Retail Trade	153	194	221
Construction	13	9	15
Commercial Service	14	14	12
Total	251	289	324

A good share of the marked decline in failures during the last quarter was in the Province of Ontario, with failures in both Toronto and Ottawa sharply down. Total failures in the 16 largest cities were off 49 per cent between July and September, while in the balance of the country they dropped only 12 per cent.



DIESEL—Experimental freight locomotive using diesel-electric power; made by Electro-Motive Corporation, La Grange, Illinois, a subsidiary of General Motors.

HERE *and* THERE in BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

Hooks—Although metal shower curtain hooks are a dime a dozen in many a ten cent store, thanks to the use of bright colors a New York City maker, Blossom Manufacturing Company, is selling twelve plastic hooks, packaged, for about half a dollar. They're in nine colors intended to make the ensemble-conscious housewife's heart bump with delight: Nile, red, maize, peach, pink, black, white, orchid, and open blue.

Diesel—A 5,400 h.p. diesel freight locomotive has been tested this Summer by a number of railroads, including the Boston & Maine, Southern Railway, Baltimore & Ohio, and four big Western lines. Late in August two were ordered from the Electro-Motive Corporation, La Grange, Illinois, by the Santa Fe.

Diesel-electric locomotives are used for passenger hauls by many of the famous streamlined fliers. They're also finding increased service as switching locomotives. The Baltimore & Ohio, whose first and second diesel-electric switchers were installed in 1925 and 1939, recently purchased 25. Its en-

gineers were able to operate them alone after a week of instruction.

Among the advantages claimed for diesels are rapid acceleration and smooth operation. Engine power is converted into electricity which drives motors on the axles. To increase speed, the diesel motors are speeded up.

Figures of the Interstate Commerce Commission for 1938 showed 45,210 steam locomotives; 882 electric "units" (wheelbases and superstructures "capable" of self-propulsion); and, in the "others" classification, 397 oil-electrics (a term, save for a few exceptions, synonymous with diesel-electric).

In the first eight months of 1940 242 diesel-electrics and 41 steam locomotives were shipped to American railroads. End-August figures showed unfilled orders for 109 steam locomotives, 137 diesel-electrics (U. S. Department of Commerce figures.)

Super-fuel—Aviation engines function adequately on fuel seven points higher than the 80-octane automobile fuels now in use. However, when an engine is designed for super-aviation fuels, the plane receives a 12 per cent

reduction in amount of fuel consumed.

Take-off runs are cut 45 per cent, with a corresponding increase in safety. Payloads are increased more than 10 per cent. Technologists, says the American Petroleum Institute, estimate that high speed fuels increase earning power by more than 25 cents a gallon for full-capacity loads.

A specific case, published in Standard Oil of Indiana's *Stanolind Record*, cites an airplane engine designed in 1930 to deliver 575 h.p. In 1939 its output was boosted to 1,200 h.p. without any perceptible change in engine dimensions or cylinder displacement. The improvement was due entirely to design changes and better fuels.

Weather—That neutral territory for conversation—the weather—as every war news student knows, is a matter of grave military importance. He who draws the most accurate set of isobars may conquer a nation.

As a result of recent experiments at the National Bureau of Standards, Washington, D. C., an automatic "weather man" will soon be in service, a sort of bell buoy of winds. On isolated mountain peaks and small islands, battery-powered radio trans-



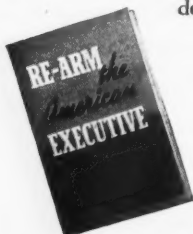
...the Bell "Airacobra"

One of America's fastest, most formidable single-engine interceptor-pursuit planes! Its top speed is a secret. Armed with machine guns and cannon, the Airacobra is a deadly fighter . . . Mass production deliveries are now being made to the U.S. and British Governments. Bell Aircraft Corporation uses Ediphones, ". . . to help us break through the bottleneck of business detail; let us focus on the vital problem of national defense."



Your business, too, can be prepared for greater production . . . armed against keener competition. *Surveys show that the average executive increases his capacity an hour a day with the Edison Voicewriter.*

Talk your work away—give your secretary a chance to become a *real* assistant! A beautiful 8½" x 11" Streamlined Ediphone (above) for your desk *top*—a beautiful, new floor model for your desk *side*.



No Obligation! Send for booklet "RE-ARM THE AMERICAN EXECUTIVE." (Incidentally, see how long it takes you to call your secretary and dictate this request. On an Ediphone you can do it in only 15 seconds.) Address Dept. D11, Thomas A. Edison, Inc., West Orange, N. J., or Thomas A. Edison of Canada, Ltd., 610 Bay Street, Toronto.

meters will warn of changes in temperature, humidity, rainfall, winds' velocity and direction.

The position of a vane or other device which measures each condition determines the resistance of an electrical circuit. That resistance is translated by the radio into a change in signal frequency. At the home station shifts in the signal are interpreted and measured. A timing device starts and stops the radio transmitter.

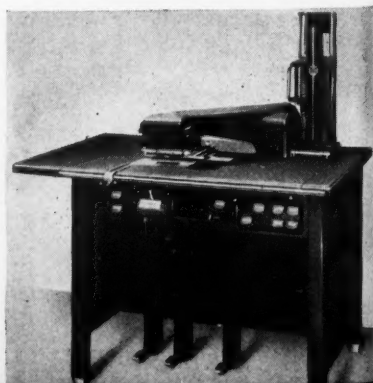
To business, of course, accurate weather reports are essential. The chief load dispatcher for Chicago's Commonwealth Edison Company, for instance, said recently that, in the absence of wind, smoke clouds alone could cause darkness which would vary the electrical load in a metropolitan center as much as fifteen per cent from that of a lighter, wind-swept day.

Aviation requires up-to-the-minute weather information every hour; and for principal airports the United States Weather Bureau forecasts conditions every six hours. In the way of long range forecasts, the Bureau recently introduced general five-day predictions for sections of the country.

Lithography—When the Lithographers' National Association, in collaboration with the Philadelphia Art Alliance, held its huge Living Lithography exposition last month, there must have been many a visitor who suddenly recalled old memories.

For in all the colored riot of lithographic progress—the model grocery store, window displays, beverage trays, and bank checks—among these were those same red and gold cigar bands and florid cigar-box portraits which seemed so splendid many years ago.

ADDRESSES—Up to ten carbons can be printed with the new "class 1900" Addressograph, product of Addressograph-Multigraph Corporation, Cleveland, Ohio. Its features include a detachable automatic form feeder and location of the plate feeding magazine at rear of the desk.



And there were the tall posters advertising Barnum's people, relics of the days before there was much color in printing, days when a four-color book jacket, or 20-for-a-penny picture cards of Fielder Jones and his team-mates were as exciting novelties to the average person as Kodachromes are now.

Filing—A vertical filing system in which the folders hang from side rails instead of resting on the drawer-bottom is offered by Oxford Filing Supply Company, Brooklyn, New York. It goes by the trade name Pendaflex.

Any letter or legal size drawer, after removal of the rear supporting device, will accommodate the Pendaflex. Folders fitted with hanger hooks at each side are suspended from a frame inside the drawer.

Art—With the closing of both World's Fairs two exhibits of contemporary art in the United States, sponsored by International Business Machines Corporation, go on tour throughout the country.

Genesis of this corporate sponsorship of non-commercial art is a belief of Mr. Thomas J. Watson, IBM's president, that art and business can be brought into closer relationship. International Business Machines Corporation is probably the first industrial organization to become an art patron in American history. Last year it sponsored galleries of representative paintings from 79 countries.

To form the two 1940 Fair exhibits,

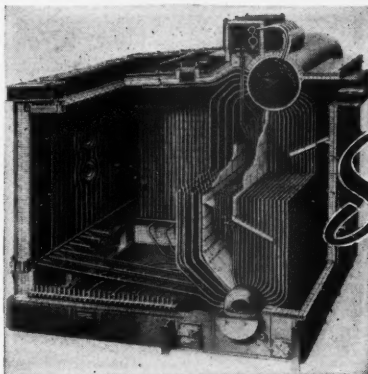
SARAN—Tough, washable, colored plastic in rattan-like strips called Suran is being tried as a subway seat covering in New York City. The plastic is made by Dow Chemical Co., Midland, Michigan.



PAIRED WITH THE *Leaders* FOR STEAM ECONOMY

*The
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by
ARMOUR and COMPANY



*The
Steam Source*

by
**COMBUSTION
ENGINEERING**

Catering to the critical palates of well-fed Americans with food that is pure and plentiful constitutes a great industry with which the name of Armour and Company has long been prominently identified. But to have wholesome food within reach of all the people at moderate prices, imposes on any successful company rigorous standards of economical operation.

Where such a requirement prevails, you'll frequently find equipment built by C-E relied upon as the economical source of steam. And so, at the big Armour plant in East St. Louis there are two C-E Units, the very popular VU Type, each with a capacity of 50,000 lb of steam per hr, and complete with Elesco superheaters, C-E air heaters and pulverized fuel systems employing C-E Raymond Bowl Mills.

These units are but the most recent furnished by C-E. Previous experience of Armour and Company with steam generating equipment built by C-E dates back over many years, another prominent name on the list of American industry to which C-E has supplied such vital equipment.

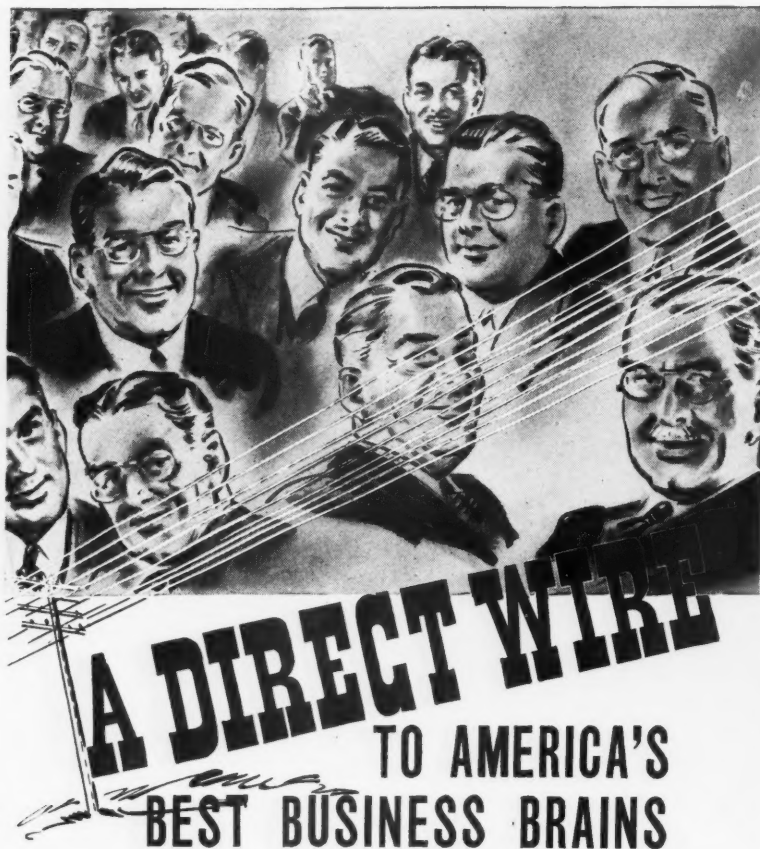
You, too, can rely on C-E, whether your steam demands be large or small, to plan an installation that will provide economical steam generation.

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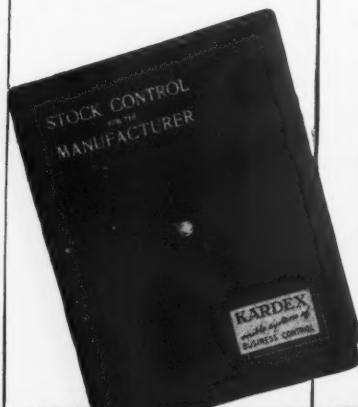
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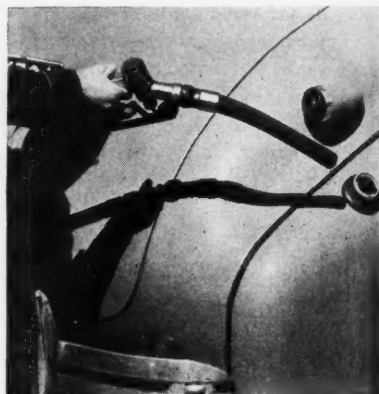
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106 canvases, representative of the art and character of each State and territory in the union, were purchased for the corporation by independent juries.

A booklet distributed to visitors at IBM's New York and San Francisco galleries illustrated the paintings, gave a brief history of art in the State represented and a photograph and biography of the artist. Miss Marinobel Smith, IBM's art consultant, believes this is the first time that the separate art history of every American State and territory has been published in a single brochure.



FLEXIBLE—A synthetic rubber gas hose nozzle or Koroseal, made by B. F. Goodrich Company, Akron, Ohio, fits itself to angular gasoline tank inlets. It conducts static electricity, preventing any sparks.

Colporteurs—In 1939 Nationalist China, despite the War, purchased 20,000 more Bibles than she had taken in 1938. Total purchases in China of all forms of printed Scripture, as recorded by the American Bible Society, were 1,530,898 in 1939; 1,395,515 in 1938; 1,822,844 in 1937, when the undeclared war with Japan began.

In Japan total circulation for the first quarter of 1940 was 221,521, an increase of 43,506 over 1939's first period. Sales

SNIPPIE—Snippie is an electric scissor toy made by General Transformer Corporation, Chicago. Vibrations of the critter's bill slit paper safely but can't cut fingers.



in 1939 hadn't shown any increase over 1938.

A strange mixture of international business and devotion, of routine and drama is the American Bible Society, New York, organized in 1816. Its Board meeting begins with a devotional service, closes with tea. In 1939 it reported distribution of 7,370,980 Bibles, Testaments, and portions, an increase of 400,000 over 1938.

Distribution in America during the last five years has increased steadily.

For interesting and exciting occupations, few can match that of the Society's colporteurs or salesmen. In Indiana, four toured six counties last year with a trailer, "The Bible Van." They visited 2,500 homes of which 20 per cent had no Bible. In California agents distribute to the migrant "Okies." In Oklahoma they sell bright covered copies to the Indians, try to educate them not to use a cactus drug called "peyote" which simulates self-torture during religious fervor. At present the Society has a business slogan, "No Bible Blackout" and is working to hold its ground despite the wars in Asia and Europe. Activities of the Societies of Great Britain and France have been greatly curtailed.

Flexform—Dry cleaning establishments and customers who worry about the fit of a dry cleaned dress may find an answer to their problem in a machine called Flexform. It's a steam apparatus which reproduces the feminine outline by means of a shoulder piece and adjustable curved rods.

After being dry cleaned, milady's dress, skirt, or sweater is slipped over this device. A finisher sets some dials to the proper measurements, steams the fabric for a few seconds to soften it, then presses shaping pedals, causing the outline rods to stretch to the desired measure. The apparel is dried by a blower and removed for a final touch-up on the finishing board. Total time: two to three minutes.

Tri-Pak Machinery Service, Harlingen, Texas, makers of Flexform, say that it replaces no other machine used in the dry cleaning industry. With it they supply a set of dress identification tags and a record book, so that once a dress has been done this way, it can be finished to exactly the same measurements after future cleanings.

Hasn't this been going on long enough?



Back in 1840. Great Grandpa Abner Grigsby had a male secretary who took down his dictation with a new-fangled system of pothooks. Grandpa allowed it wasn't a very good arrangement. The secretary couldn't really do much to help him and protect him from interruptions while he was sitting there taking dictation. Both of them were bothered continually, and work was held up.

Today old Abner's grandson has inherited the business—now modern in all respects but one. He is still struggling with antiquated two-person dictation! Isn't it time the Grigsby Co.—and a lot of other businesses—decided to drop old-fashioned ways? Once they sample the convenience and the time-saving ease of the Dictaphone method, they're seldom satisfied with anything else.



TODAY Dictaphone is helping thousands of busy executives to do the things that *need* doing—when they should be done! For this modern dictating machine adjusts itself at once to immediate needs. It enables executive—and secretary—to do *more* with less effort . . . and to carry jobs through with fewer interruptions. That's the modern way—that's the Dictaphone Method. See the new Dictaphone movie, "What's An Office, Anyway?" which shows how Dictaphone speeds up office routine. Or try Dictaphone yourself. Movie or actual test . . . there's no obligation on your part. Just clip the coupon—and mail it today.

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BUSINESS BOOKS

MANY of today's economic and industrial problems were problems two thousand years ago; and today's solutions were tried then in varying forms, the answers, history. Similarities between those efforts and today's are brought out in *Industrial Political Economy*, by Edward Henry Hempel. (Pitman, 454 pages, \$3.50.)

Professor Hempel's work is of value as a source book indicating where and when in history the fields of industry, politics, and economics overlapped. Of necessity, the 454 pages are a rather breathless sprint through 2,000 years.

The book contains, incidentally, much "Believe it or not" type of information. Athens, for instance, paid the unemployed to judge lawsuits.

For organizing files of special information—to hold things like pamphlets, clippings, surveys—there is available a book called *Banking and Financial Subject Headings*. It is published by the Special Libraries Association, has 98 pages, costs \$4 to non-members. Based on usage in three large financial institutions, the book lists classifications, subdivisions, and related headings for making up or revising a filing system.

Controllership, Its Functions and Technique, by John Macdonald. Controllers Institute, 134 pages, \$2.08. This answers the questions, "What is a controller? What does he do?" Not intended as a treatise on the details and technicalities of accounting and other duties, it covers their application by controllers to the management job. There are sections on relations with public accountants, governmental bodies, and company policies and management.

An Economic Survey of Ancient Rome, edited by Tenney Frank. Johns Hopkins, five volumes. Volume V was published this year; 907 pages, \$5.75. It treats of Rome and Italy in the first two centuries of the Empire; municipal finance, agriculture, manufactured ar-

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ticles, trade and commerce, economic decay.

The previous four volumes of this economic survey range over: the Republic, Vol. I, (out of print); Roman Egypt, Vol. II, \$4; Roman Britain, Spain, Sicily, and France, Vol. III, \$4; Roman Africa, Syria, Greece, Asia, Vol. IV, \$5.

Scientific Price Management I, by Allen W. Rucker (Eddy-Rucker-Nickels, \$5, 22 pages, 6 charts) is a working manual for use in determining how much additional sales volume is required to compensate for changes in price or costs. The meat of the book is six 9 by 12-inch Calculator charts.

Mr. Rucker's charts are based on work done in the past eighteen years on a theory of mathematical relations between price and volume: That price reduction or cost increase must be compensated for not only by a proportionate increase in sales volume but by additional increases to allow for the added costs of labor, handling, and packaging the greater volume.

Sales Management, by Herman C. Nolen and Harold H. Maynard (Ronald Press, 505 pages, \$4) is a carefully compiled textbook of the type which a business man wants to keep at hand for re-evaluation of some specific part of his work and for occasional desk reference. It emphasizes the importance of scientific methods in sales management.

Origin, development, and current issues of American public policy are the subject of two volumes published by The Brookings Institution. *Government and Economic Life*, by Leverett S. Lyon, Victor Abramson, Myron W. Watkins, and other contributors. Vol. I, 1939, 519 pages, \$3; Vol. II, 1940, 1,301 pages, \$3.50.

This study considers the government's relations to economic life in terms of broad, fundamental economic and social purposes. The first volume deals with government as an agency which shapes the business system.

Volume II probes the increasing tendency of government to deal with separate sections of economic life and to do this by criteria quite different from earlier standards.



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HOW YOUR COMPANY MAY SOLVE THE EMPLOYEE LOAN PROBLEM

IT'S hard for an employee to keep his mind on his job when he's worried by unexpected expenses which he can't meet out of savings. For his company's good, as well as his own, he should have a place to borrow.

Workers can borrow up to \$300

Perhaps your company has a loan plan for employees. Most companies, however, feel that they have neither the resources nor the experience to handle the many problems of family financing. In a few plants employees have organized their own credit unions. But most workers must borrow elsewhere.

To supply a legitimate source of credit for wage-earners is the job of the modern family finance company like Household Finance. Here the responsible man or woman who needs a loan can borrow up to \$300 largely on character and earning ability. No endorser or bankable security is needed. *No wage assignment is taken.* State laws regulate the transaction for the protection of the borrower. Last year Household made over 800,000 loans to help families get back on their feet financially.

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Borrowers at Household repay their loans in installments which average less than 8% of their monthly earnings. Thus they can repay out of income and without sacrifice of living standards. The table below shows some typical loan plans. Installments include charges at the rate of 2½% per month (less in many territories on larger loans). These charges are substantially below the maximum allowed by the Small Loan Laws of most states.

AMOUNT OF CASH LOAN	AMOUNT PAID BACK EACH MONTH Including All Charges				
	2 mos. loan	6 mos. loan	12 mos. loan	16 mos. loan	20 mos. loan
\$ 20	\$ 10.38	\$ 3.63	\$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 7.66	\$ 6.41
150	77.82	27.23	14.62	11.49	9.62
200	103.77	36.31	19.50	15.32	12.83
250	129.71	45.39	24.37	19.15	16.04
300	155.65	54.46	29.25	22.98	19.24

Above payments figured at 2½% per month and based on prompt payment are in effect in Maryland and several other states. Due to local conditions, rates elsewhere vary slightly.

Our experience shows that much family debt can be avoided by proper management and careful buying. To help families be better money managers Household's home economists give practical guidance in budgeting and household buymanship. Schools and colleges make extensive use of the booklets developed for this work.

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City.....State.....

RETAIL CREDIT POLICIES

(Continued from page 32)

ing trades suggests that a small store's merchandising policy should be aimed at either cash or credit customers rather than between them. The cash stores and those featuring credit generally turn their stocks more rapidly than stores selling a minor part of the volume on credit. Similar tabulations in these same three clothing trades in 1937 showed almost exactly the same contrasts.

In three trades where installment credit has been widely employed the survey affords a special type of analysis, adapted in each case to the trade (table VI). In the furniture trade a three-way comparison includes a group of stores offering no time-payment plan and two other groups representing varying degrees of devotion to installment selling. The findings are similar to those contrasting cash and open credit stores: volume increases as the percentage of business done on credit—here installment credit—rises. It is generally in the stores with larger expenses, moreover, that the largest proportion of goods are sold on installment terms. As might be expected, gross margins are substantially wider in stores granting installment terms, but it should also be kept in mind that some of the stores in this group are of the type known in the trade as "borax operators," who for a time are often successful in realizing wide margins on low-priced merchandise of dubious value.

Household Goods

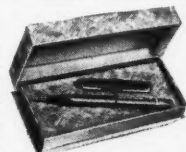
Installment business seldom accounts for as large a percentage of sales in the household appliance trade as it does in furniture. In the former trade, service and repair work is commonly on a cash basis, many small appliances are charged or sold for cash, and it appears that more substantial down payments on time sales are generally obtained. Consequently, the survey contrasts those appliance retailers reporting more than 50 per cent open credit with those selling more than 50 per cent of their volume on install-



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MISTAKES
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MANAGEMENT?

★ IT IS EASY to determine whether you are going to repeat the mistakes of management during the last war. Simply ask yourself one question:—

"Am I too busy for planning?"

The prime duty of an Executive is planning. The three big mistakes made by management in 1917 were:

1. Failure to plan ahead for "after-the-war" by establishing research.
2. Failure to establish controls.
3. Paying out in taxes money which should have been spent in having the house put in order.

Why be like the man with a leak in the roof of his house? When the sun was shining he didn't need to fix it; when it was raining he couldn't.

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ment terms. Here again installment credit appears to bring a somewhat larger volume; but, even more important, it is accompanied by a good rate of profit; charge account retailers only broke even. Installment account stores, furthermore, operate on a substantially lower margin and at lower expense than do stores in the open credit group.

Jewelry

Credit policy in the retail jewelry trade ties up closely with the entire method of operation of the store and with the type of goods and services offered. The survey presents separate analyses of three distinct types of retail jewelers: (1) cash store operators, usually watch makers who carry a small stock of clocks and silverware and maintain an annual sales volume of about \$12,000; (2) the usual type of jeweler, selling more than half of his volume on charge accounts, carrying a complete line, and perhaps offering watch and repair service too; and (3) the installment or so-called "credit jeweler," whose typical volume is much larger than that of the other two classes. Making more than half of their sales on installment terms, the "credit jewelers" report an average bad debt loss more than three times as great as either the cash or charge account operators. A fourth class, large metropolitan jewelers, many of whose names carry wide prestige, are not represented in these operating ratios.

In Wartime

The findings of the 1940 survey of retail operating costs urge us again toward the conclusion that credit is now, as always, an effective selling device. If properly managed, and applied to those goods where credit selling is appropriate, credit extension ordinarily yields added sales volume and increased dollar profits.

Thus few retailers are likely to curtail radically or abandon the extension of credit in the present national emergency; for it will draw only a few of their potential customers and debtors as conscripts. At the same time, the majority of finance companies and retailers are taking the necessary precautions not to have their books abnormally loaded with accounts of customers in the eligible age range.

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VERY LIKELY THERE'S YOUR "BEST BET" THROUGH—

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He's rubbing elbows constantly with bankers and manufacturers. He's ready to answer your questions about how inventory financing would fit your needs . . . about Douglas-Guardian Service, built up to a high degree of efficiency through 17 years of experience.



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Become Organization minded with
a resultant step-up in morale and
production**

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Whitehouse Manufacturing Co.
222 West North Bank Drive, Chicago

**FINANCIAL
STATEMENT
of the FUTURE**

(Continued from page 25)

worthless. If an auditor is going to take a client's word for the inventory he might as well take his word for everything else."

Typical modified views on the other side of this point are the following: "Should continue to take client's certificate. It is the client's statement and the client is responsible for the inventory item." "I don't think we should lean too heavily on the client's certificate, but I don't see how we can do very much when clients insist on chiseling on prices."

[?]

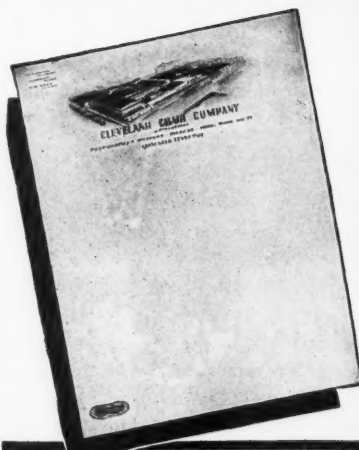
Should accountants make it a practice to explain in the certificate or in footnotes to the balance sheet the details of commitments for future deliveries of merchandise with actual market prices for which these commitments were made, and the market price at the fiscal date, which might thus show either a book profit or a book loss?

	YES Per Cent
BANKERS	92
CORPORATION TREASURERS	55
MERCANTILE CREDIT MEN	69
ACCOUNTANTS	72

The bankers show a very high percentage in favor of this suggestion, but in varying degrees. Some believed that "all statements should have this information;" others only if "profit or loss is of sufficient size;" still others agreed to the policy provided, "there is a loss; optional, if there is a profit."

Among company treasurers were many who like the bankers would favor publishing this information only where the "commitments were large enough to affect the client" or "where of consequence" or "if relatively important." Seven replies would restrict the practice to situations where "commitments involve losses at the examination date."

The negative replies were for a variety of opinions. One treasurer, for example, wrote: "not ordinarily of sufficient importance to warrant the ex-

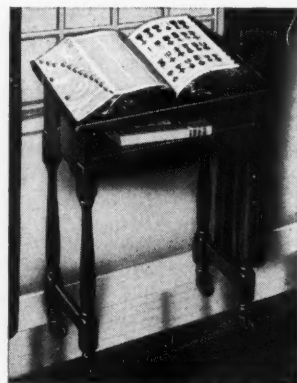


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pense." Two others were of the opinion that the information was confidential and should not be made known for fear it would reach the ears of competitors, and one because it would extend "the province of an adult unduly."

Credit Men

A somewhat larger proportion of the mercantile credit men were unqualifiedly in favor of this proposal. "We feel that this procedure is absolutely necessary, and we insist upon it in our own audits," and "This is as much a part of the financial picture as the inventory and should certainly be included wherever possible." Seventeen credit men qualified their replies by saying that this information would be desirable when "commitments were appreciable," "if commitments extended beyond current needs," or "if of a substantial character." Three wanted the information in times of "much speculation" and two in instances of "large book losses" and one "in case of a highly speculative business."

Most accountants who agreed that fiscal date and actual market price information should be available, replied that it would be "preferable in the footnotes," indicating the "company's responsibility." For this, said one, "the accountant has to rely on information furnished by managements as to existing commitments." Wrote another: "Yes, due diligence should be exercised in determining the full extent of all direct, indirect, and contingent liabilities. It is hardly possible, however, for the accountant to verify the liabilities of which he can have no knowledge if they do not appear on the company's records."

Totals, Not Details

Several accountants expressed the opinion that totals and not details should be used: "We make it a practice to show totals and loss, if any, at balance sheet date." "Details are unnecessary. They should show total commitments in dollars and a reference to market values thereof."

The out-and-out negative replies were again few and far between and all except one or two isolated replies expressed the opinion that under "certain circumstances," the information should be available preferably in the footnotes to the balance sheet.

GOOD BUSINESS NEWS

Deficit Turns to Profit With Change in Financing

THE year ending July 31, 1938, found the management of **HALLMARK MILLS*** staring at a deficit of \$272,675. With net sales \$5,429,169, this was a discouraging showing.

Though it had at its disposal credit lines from local institutions, the availability of working funds seemed always to be impaired or impeded. So the company decided to take a radical step it had been considering, and change its method of financing.

Flexibility, convenience and promptness of action were the deciding factors in the switch to open account financing. To be able to determine at any given time the amount of cash required, and to get that amount promptly merely by discounting sufficient receivables, looked like the right answer.

The result is best told in figures:

	<u>NET SALES</u>	<u>NET LOSS</u>
Year to July 31, 1938	\$5,429,169	\$272,675
		<u>NET PROFIT</u>
Year to July 31, 1939	\$5,843,473	\$ 91,065
6 Mos. to January 31, 1940	\$3,911,269	\$121,819

And the president says: "... we made no mistake. Using hundreds of thousands of dollars continually, we find the flexibility and the absence of red tape particularly satisfactory. Getting cash as and when we need it operates to keep the cost down and permits using our working capital to capacity".

* * * *

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**A fictitious name, but the facts and figures, taken from our records, can be certified.*

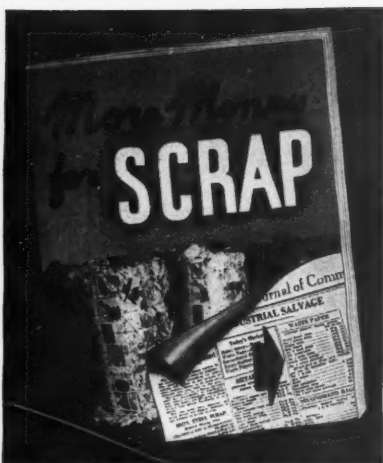
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OVER THE EDITOR'S DESK

READERS familiar with DUN'S REVIEW will recognize the name of Edwin B. George (pages 5-19). During the past four years he has written articles—many times, as with these on the defense program, series of articles—on the bigness of big business, the Robinson-Patman Act, the anti-trust laws, government price control, and the Temporary National Economic Committee.

Mr. George is a graduate of the University of Pittsburgh, the United States Department of Commerce, and the National Recovery Administration.

AFTER graduation from Bowdoin, Roy A. Foulke (pages 20-25) began work in the credit department of a New York bank. For some years after that he managed the Bank Service Department of National Credit Office, Inc., and he is now in charge of the Analytical Report Department of DUN & BRADSTREET, INC.

Mr. Foulke is well known as a contributor of articles to financial and business periodicals. He is the author, too, of several books, among them: *The Commercial Paper Market, Fourteen Guides to Financial Stability, Behind the Scenes of Business* and *They Said It With Inventories*.

With a second article by Mr. Foulke next month on the survey of professional opinion on accounting problems there will be presented another tabulation of replies by bankers, corporate treasurers, credit men, and accountants. This material, treated at somewhat greater length, will be available in booklet form, too, before the end of the year.

Also with this December article there will be further financial ratio data (pages 22-23), for 24 wholesale and 12 retail trades. As with the presentation this month, ratio figures will consist not only of median averages, but also figures delimiting the interquartile range.



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DIRECTOR of Surveys in the Research and Statistical Division of DUN & BRADSTREET, INC., Walter L. Mitchell, Jr. (pages 26-32) is a graduate of Yale and with Mr. George also a graduate of the U. S. Department of Commerce, where he was chief of the Market Analysis Section.

Next month there will be a further article by Mr. Mitchell on the Retail Survey of Operating Costs. It will discuss variations in advertising expense from trade to trade, and within trades the variations which occur with differing sizes of store and sizes of town.

FOR next month too there is scheduled an article by J. K. Lasser on the newly arrived excess profits tax.

IN "The Rise of the Super-Market" by Reinhold P. Wolff in the September issue, the number of stores in the King Kullen chain of super-markets was erroneously reported as "250." The correct number is in the neighborhood of 35.

PLANNED for the January number is a fourth article in the series "Some Economic Aspects of the Defense Program." Subjects to be discussed include amortization, plant disposal, the bankability clause, and conscription of industry.

DUN'S REVIEW

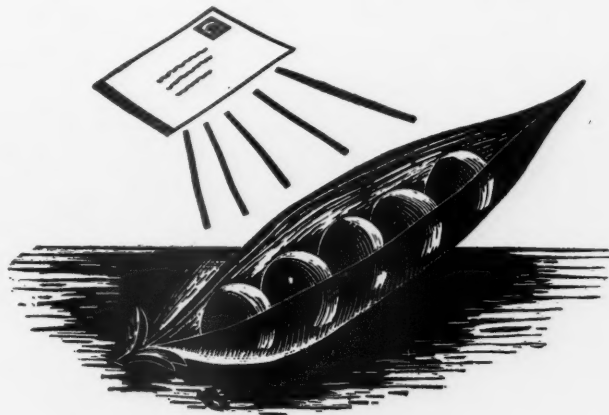
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More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, and price indexes which are summarized and interpreted each month in DUN'S REVIEW (see pages 44-48)—are published monthly in DUN'S STATISTICAL REVIEW, tables only, no text, \$1 a year; \$2 outside the United States.



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